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By-Haber, William; Kruger, Daniel

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This monograph examines the developments which have influenced the United States Employment Service during the 30 years of its history, since the Wagner-Peyser Act of 1933. The major social and economic developments, the enabling legislation, and the issues and problems regarding the proper role of that service are discussed. Some of the historical roots of employment service concepts are traced as far back as 1834. The various services available through the Employment Service such as placement counseling, labor market information and research, industrial services, training, and others are described and the rationale for their existence is presented. Some of the problems and issues analyzed are: (1) for whom is the Employment Service intended, (2) relationships with colleges and universities, (3) relationships with private employment agencies, and (4) federalization versus federal-state system. A variety of proposals for strengthening and improvement are presented along with a critical discussion of the proposals. Seven specific suggestions for improvement are advanced in the areas of: federal leadership, finance, evaluation, personnel, local office operations, community support, and research. Tables and organization charts are included. (ET)

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THE ROLE OF THE UNITED STATES EMPLOYMENT SERVICE IN A CHANGING ECONOMY

By

WILLIAM HABER, Ph.D.
The University of Michigan

and

DANIEL H. KRUGER, Ph.D.
School of Labor and Industrial Relations
Michigan State University

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Foreword

The problems and issues which have confronted the federal-state employment service since its establishment during the early thirties clearly suggest an increasingly important role of this service in our changing economy. This monograph was written in order to provide some perspective for considering what its role should be.

The authors of this report are widely known in the field of labor economics as experienced and competent investigators. Both have authored other reports published by the Institute. Dr. Haber has been associated with the Institute as a consultant for many years and presently is also its Director of Unemployment Insurance Research.

Without taking a position on the many issues which are raised, the Institute is pleased to publish this report.

HAROLD C. TAYLOR, *Director*
The W. E. Upjohn Institute
for Employment Research

February 1964

THE W. E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

THE INSTITUTE, a privately sponsored nonprofit research organization, was established on July 1, 1945. It is an activity of the W. E. Upjohn Unemployment Trustee Corporation, which was formed in 1932 to administer a fund set aside by the late Dr. W. E. Upjohn for the purpose of carrying on "research into the causes and effects of unemployment and measures for the alleviation of unemployment."

One copy of this bulletin may be obtained without charge from the Institute in Kalamazoo or from the Washington office, 1101 Seventeenth Street, N.W., Washington, D.C., 20036. Additional copies may be obtained from the Kalamazoo office at a cost of 50c per copy.

Preface

Since its inception 30 years ago, the United States Employment Service has had a checkered career. It was born in the midst of the greatest depression in the nation's history. Before the state legislatures could enact laws necessary for the federal-state cooperative program, a whole series of measures were adopted to deal with the economic ravages of the great depression. These included CWA, WPA, CCC, NYA, FERA, and PWA, among others — all enacted in 1933. To serve these agencies, the federal government established a National Reemployment Service even before a federal-state plan could get underway. In 1935 Congress enacted a Social Security Act which immediately involved the local offices of the United States Employment Service in the administration of the "work test" required to qualify persons for unemployment insurance benefits. Then came World War II and the federalization of the United States Employment Service, including its shift from the Social Security Agency to the Department of Labor. At the close of the war, with the return of the Employment Service to the states, there was an opportunity to begin the development of a federal-state employment service on the principles contemplated by the original Wagner-Peyser Act of 1933.

In the meantime, however, as a result of the development of public policy in the manpower field, the Employment Service developed beyond the idea of a simple labor exchange under which it was conceived. Additional responsibilities were constantly being imposed upon it. These had to do with special services for veterans, the handicapped, minority groups, youth, and the elderly people in the labor force. There was an expansion in its counseling, testing, and guidance functions. It became involved and increasingly skilled in the procurement of labor market information and, in fact, in community "labor market planning." The "imposition" of additional functions has continued almost to the present time. More recently, in addition to responsibilities connected with the administration of unemployment insurance, the local and state offices have become involved in the nation's manpower development and training programs. In brief, the more than 1,900 local offices affiliated with the United States Employment Service have become in a broad sense "manpower centers" serving the local community, the state, and the nation.

In this monograph we undertake to examine the developments which have influenced the United States Employment Service during the 30 years of its history. We are mindful of the fact that this long period cannot be fully treated in a relatively short monograph. We hope, however, that in highlighting the major developments and in emphasizing the evolving issues and problems this monograph will contribute constructively to the public discussion currently being carried on regarding the proper role of the United States Employment Service in a changing economy.

One of the authors has, for many years, served as a member first, of the Technical Advisory Board to the United States Employment Service, and since 1948 for 10 years as Chairman and since then as a member of the Federal Advisory Council on Employment Security. These associations have made it possible for him to observe the developing problems affecting the employment service operations in the United States.

The United States Employment Service is but the lengthened shadow of many persons who have worked over the years in implementing the intent of the Wagner-Peyser Act and subsequent pertinent legislation. We have known many of these public servants in the national office in Washington, in state administrative offices, and in many local offices across the country. In our discussions with them, we have learned much about the problems of operating a public employment service. To all of them, we owe our indebtedness.

We express our sincere appreciation to Mr. Louis Levine, Director, United States Employment Service, and his staff members who read the manuscript. Their comments and suggestions were most helpful.

Special thanks go to to Dr. Harold Taylor, Director, the W. E. Upjohn Institute for Employment Research, for making this study possible. Two of the Institute staff members were of special assistance: Mr. Samuel Bennett helped us get the manuscript into its final draft; and Mrs. Jared H. Ford edited and prepared it for publication.

We also want to thank Mrs. Gretchen Foster, who provided helpful editorial assistance, and Mrs. Edward Foster of the Michigan State University School of Labor and Industrial Relations, who cheerfully typed and retyped the several drafts of the manuscript.

WILLIAM HABER
DANIEL H. KRUGER

December 1963

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I. Introduction

The nation is becoming increasingly concerned over the utilization of its human resources. In recent years public discussion has centered on levels of employment; rates of unemployment; labor market problems of young workers and school dropouts; and retraining problems of older workers, minority groups, and the female labor force. The changing composition of the work force, especially since the end of World War II, has accentuated the public's interest in training scientific and technical personnel, doctors, nurses, and teachers. Public concern in manpower development and utilization is to be expected. No modern government can ignore its manpower resources. The quality and quantity of the nation's manpower resources and the availability of jobs are both critical factors in its economic development. This is especially significant in a job economy.

The job economy is more than a descriptive phrase. It suggests that the overwhelming majority, about 90 percent, of the American people make their living through having a job. This has not always been the way people in the United States have earned their livelihood. In earlier periods in the nation's history, a substantial proportion of the people worked on the land. At a later time, millions of Americans "worked for themselves" in offices or stores or in service activities. As our society evolved into a highly urbanized and exceedingly industrialized economy, self-employment declined; and working as an employee in private business and industrial firms and in government significantly increased. The job became the most important economic activity in the lives of most of the American people because it provided the central means for earning income.

The centrality of the job is the distinguishing characteristic of the job economy. Consequently, preparing for a job, getting a job, holding a job, separating from a job, and finding another job to replace it are crucial matters for large numbers of persons. Any institution which assists the individual in this process is, therefore, vital to the welfare of the nation, the efficiency of the economic system, and the maximum utilization of human resources.

Public responsibility in assisting in this process has a long history. The nation's educational system is related to it. Apprenticeship programs, vocational education, and public training programs were directed to facilitate job preparation. A few municipalities established public labor exchanges where workers and employers could meet. Later state governments and the national government became aware of the need for job-finding services for workers. These services, in time, expanded to include counseling, guidance, testing, job referral, job placement, and labor market and job information. Public involvement in providing these employment services grew out of a realization on the part of government that these were necessary to the efficient functioning of the job economy.

This monograph deals with the public institution supplying these employment services, the United States Employment Service (USES). The USES is a federal-state system of public employment offices. In partnership with the states, it operates a nationwide system composed of over 1,900 local offices. Both the federal and state partners have responsibilities for the operation of the system. The federal partner administers, integrates, and "operates" the system. It provides general policies, direction, technical assistance, and funds to the states. It develops tools, techniques, methods, and operating procedures. Through the Employment Service Manual and program letters, it prescribes the framework for the operation of the federal-state system. In terms of administration and organization, the USES is now headed by a director who reports to the administrator of the Bureau of Employment Security, United States Department of Labor. Thus, the Secretary of Labor has ultimate responsibility for the federal-state system of public employment offices.

The states have the responsibility for operating their state and local offices. Each state has a state employment service which is affiliated with the USES. Personnel in the state central offices and in the local offices are state employees who are paid with federal funds according to each state's salary schedule. To qualify for federal funds, each state had to establish personnel standards and an acceptable merit, i.e., civil service, system. Each state employment service is headed by a director who reports, depending on the state's organization, to the director of the employment security commission, to the state department of labor, or to the state industrial commission. Again depending on organization, the heads of these overall agencies, of which the state employment service is a part, report directly to the governor or through a commission to the governor.

With this very brief description of the USES, we shall examine its role in a changing job economy. In analyzing this role we sought answers to the following questions: (1) What is the current status of the job economy in terms of the composition of the labor supply, and what impact does this have on the operations of the USES? Chapter II deals with these questions. (2) How did the USES evolve and what effect does its historical development have on its operations today? Chapter III presents a brief history of the USES and the important problems arising out of its development, such as its images and the nature of its federal-state relations. (3) What kinds of employment services does the USES provide? In chapter IV we briefly describe the expanding activities of the USES to meet the ever-changing problems in the labor market. (4) What are the important problems confronting the USES which affect its operation? In chapter V we discuss for whom the Employment Service is intended; its relationships with colleges and universities and the private fee-charging employment agencies; organizational structure; the placement record that has been sharply criticized in recent years; budget and staff; and lack of understanding of the USES and its role in facilitating the employment process. In view of the criticisms being directed at the Employment Service, we wanted to know: (5) What steps have been taken to improve the USES operations? and (6) What other steps can be taken to improve its effectiveness? In chapter VI we review the 1962 reorganization of the USES and its significance in improving it, the organization of the larger metropolitan areas, and the use of electronic data processing equipment in the placement service. To point out what can be done to increase the effectiveness of local office operations, we call attention to the Muncie, Indiana, demonstration project as a useful guide. We also cite the cooperative placement program of the New Jersey Manufacturers Association and the New Jersey Employment Service, which likewise can be an example for other states. Then we present our own suggestions for strengthening and improving the USES.

Before we begin to answer the questions which we have posed, we want first to review the rationale for a national system of public employment offices. Second, we want to call attention to the milieu in which the USES operates. Both are essential in analyzing and understanding the role of the USES.

The USES exists to serve the national interest in the problems arising out of the development and utilization of human resources. By national interest, we mean any condition which is of sufficient concern to the nation as a whole to warrant some kind of public action. The rationale for a national employment service was, and is, that it could facilitate the employment process for *all* workers and employers who seek assistance and thereby contribute to increasing the national product and the standard of living. This is the economic rationale.

There is also the welfare rationale. The preamble of the nation's Constitution sets forth a philosophical basis for the USES. One of the purposes for establishing the federal government was to promote the general welfare. The existence of unemployment—the failure to utilize properly human resources—has indeed a corroding influence on the general welfare.

Furthermore, the individual human welfare of the job seeker is affected. Manpower problems have nationally significant economic, social, and political consequences which are highly interrelated. The federal government must, therefore, initiate and give directions for their resolution. As a federal agency, the USES serves the national interest through participation in these efforts.

The problems of employment and unemployment do not respect state boundaries. They are the results of population growth, urbanization, changes in national consumption patterns, widespread and accelerated technological changes, shifts in the geographical location of industry, foreign competition, and changes in defense requirements. To promote useful work opportunities for those able and willing to work, Congress passed the Employment Act of 1946. This act, among other objectives, commits the national government to a policy of seeking high levels of production and employment within the existing economic system. The USES contributes toward the national objective through a system of local offices which are equipped to provide placement services to both job seekers and employers. Furthermore, through its inter-area recruitment, more than 1,900 local offices are welded together into a national system, thus creating a national, albeit imperfect, labor market.

In the labor market there are special groups of workers such as veterans, the physically handicapped, and young workers, in which the national government has expressed an interest through legislation. Congress assigned specific responsibilities to the USES to provide job assistance for these groups. The Servicemen's Readjustment Act of 1944 and the Veterans' Readjustment Act of 1952 provide for effective counseling and placement services for veterans. Under Public Law 565 (approved August 3, 1954), the Employment Service, through cooperative agreements with state rehabilitation services, provides placement services for the physically handicapped. The Wagner-Peyser Act of 1933, establishing the USES, calls for placement services for youth. Thus the USES has a legislative mandate to provide placement services for these special applicant groups. In so doing, it serves the national interest.

There are other ways in which the USES contributes to the national interest. It secures and analyzes current information on employment conditions in all the nation's important labor market areas. Such information is needed for the formulation of national policies; moreover, many federal agencies use it in the development and execution of their programs. National labor market information is essential for the effective operation of the job economy.

The proper development and utilization of human resources in the job economy also require occupational information. The USES has developed a comprehensive occupational research program to aid the local offices in their counseling, testing, and placement services. Its *Dictionary of Occupational Titles* is a basic tool in vocational guidance.

Finally, the USES serves the national interest in times of national emergencies when both human resources and materials must be mobilized quickly and effectively. A responsive nationwide system of public employment offices is indispensable to mobilization of the nation's manpower in time of war. The USES ably demonstrated its capacity to mobilize manpower to meet the demands of World War II. It was the operating arm of the federal government for carrying out manpower policies and programs. The national interest is served today by having an efficient nationwide employment service in readiness in the event another defense emergency develops.

From the foregoing it is evident that the nation needs a strong national employment service. The task ahead, as we see it, is to make it more effective in serving the national interest. As we shall point out, efforts are being made to improve the USES. Others are needed. We recognize, however, that the USES cannot be expected to resolve all the manpower problems in the labor market. There are socioeconomic and political factors which affect its operation, and these must be taken into account in evaluating the effectiveness of the USES.

First, the nature of the value system of the nation is most important. Individual choice is central in this system. The individual, within limits, has a choice as to the means he uses to find a job, and the employer likewise has a choice to use the channel of hiring that he desires. There is no compulsion, nor should there be, for them to use the public employment office. If private channels do not produce results, there must be available to both worker and employer some socially desirable means to carry out a labor market transaction. Thus there is a common need for employment services supported by public funds.

Second, a public employment service seeks to serve all workers and employers needing placement assistance. It cannot be selective in choosing its clientele as can the private fee-charging agency. There are those workers seeking placement assistance who are well qualified, and there are those who lack the skills currently in demand. Similarly, there are employer job orders which can easily be filled, and there are those which are most difficult to fill. The employment service, for the most part, must work with its applicants and its job orders, and both affect the placement performance.

Third, the nature of the governmental system is a factor affecting the employment service. In a political democracy, legislators react to public pressures. Pressure groups, for example, veterans' organizations, seek legislative support for programs affecting special groups of workers. Government institutions respond to pressures from the community. The employment service is no exception.

We are now ready to begin our examination of the role of the USES in a changing economy. We turn first to the composition of the labor force, trends in occupations, and special employment problems in the job economy.

II. The Job Economy

The public employment service operates within the job economy and is greatly influenced by its internal dynamics. Its role must be appraised against the backdrop of the operation of the American job economy. The factors affecting the supply of labor and the characteristics of the available workers are important considerations in assessing the role of the public employment service. In this chapter we shall discuss labor force growth and its composition. The number and types of available jobs also are important factors in evaluating the effectiveness of the employment service, but a detailed analysis of these factors is beyond the scope of this study.

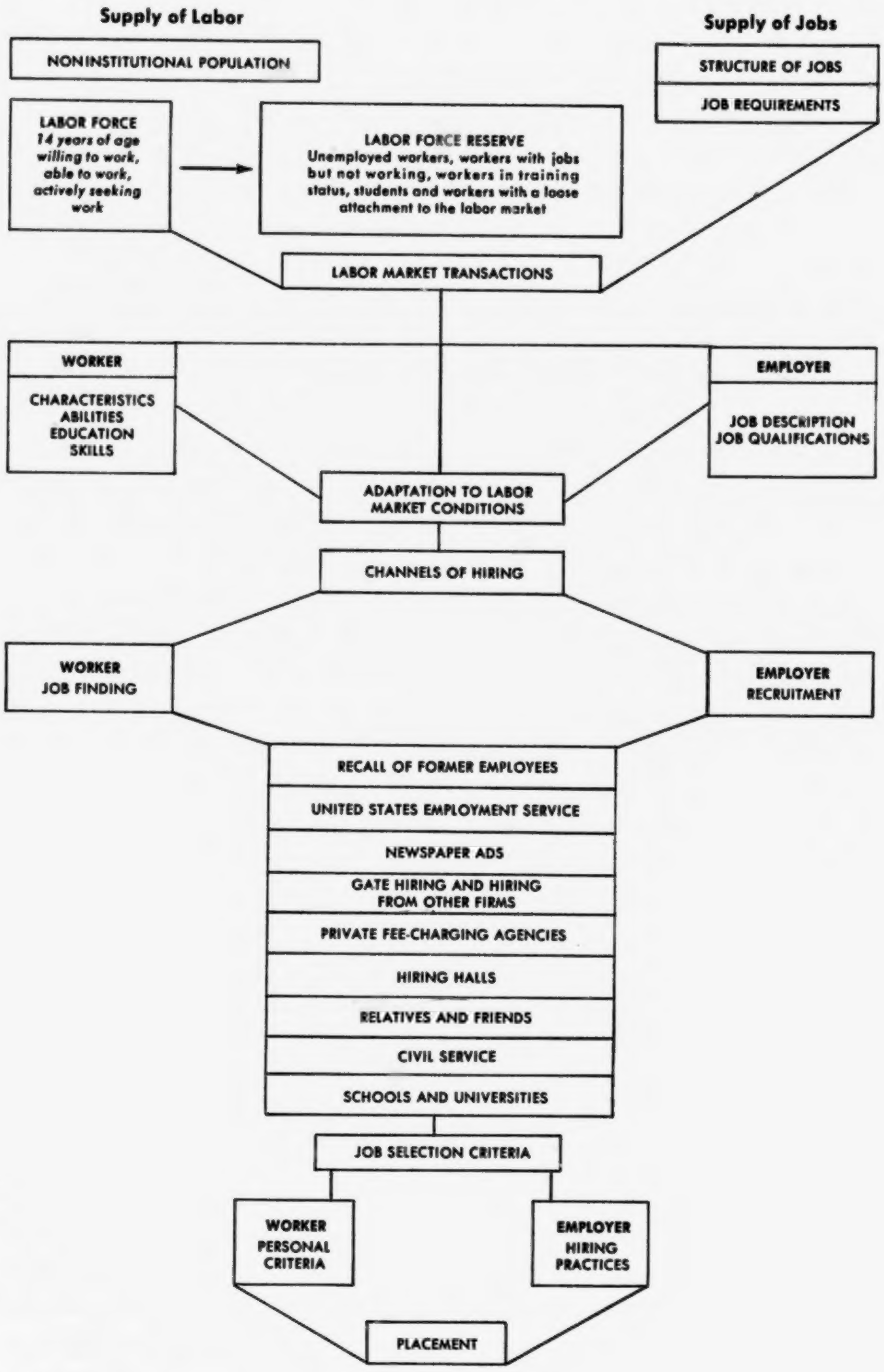
Labor Force and Job Supply

Before examining the composition of the available supply of labor, let us look at how the job economy operates (chart 1). The supply of labor is obtained from the noninstitutional population, i.e., those people 14 years of age and over, excluding inmates of penal and mental institutions and homes for the aged, needy, and delinquent. In 1961 the total labor force of the country, including the armed forces, was about 58 percent of the noninstitutional population. The proportion was 56 percent in 1940. The ratio of the total labor force to the total noninstitutional population is the labor force participation rate. The rate for male participation, as would be expected, is much higher than that for females. Since 1940 the male participation rate has been declining: from 84 percent in 1940 to about 79 percent in 1962. The female participation rate has risen from 28 percent in 1940 to 37 percent in 1962. The reasons for this change in the composition of the labor force will be discussed below.

The labor force is composed of those persons 14 years of age and over who are willing to work, able to work, and actively seeking work or who are already employed. Between 1940 and 1960, the total labor force rose from 56.2 million to 73.1 million, a gain of 30 percent. The total noninstitutional population also increased 30 percent. The concept of the labor force does not accurately show the potential supply of workers available for work. There are unemployed workers who have temporarily dropped out of the labor force; there are workers in training status and workers who have what might be called a loose attachment to the labor force. Taken together, they constitute the labor force reserve. Depending on the time of year (i.e., the seasonality of certain types of employment), the level of economic activity, and the easy availability of certain types of employment, the members of the labor force reserve enter the job market. Thus,

Chart 1

*The Job Economy**


Supply of Labor
Supply of Jobs
NONINSTITUTIONAL POPULATION
STRUCTURE OF JOBS
JOB REQUIREMENTS
LABOR FORCE
14 years of age willing to work, able to work, actively seeking work
LABOR FORCE RESERVE
Unemployed workers, workers with jobs but not working, workers in training status, students and workers with a loose attachment to the labor market
LABOR MARKET TRANSACTIONS
WORKER
CHARACTERISTICS
ABILITIES
EDUCATION
SKILLS
EMPLOYER
JOB DESCRIPTION
JOB QUALIFICATIONS
ADAPTATION TO LABOR MARKET CONDITIONS
CHANNELS OF HIRING
WORKER
JOB FINDING
EMPLOYER
RECRUITMENT
RECALL OF FORMER EMPLOYEES
UNITED STATES EMPLOYMENT SERVICE
NEWSPAPER ADS
GATE HIRING AND HIRING FROM OTHER FIRMS
PRIVATE FEE-CHARGING AGENCIES
HIRING HALLS
RELATIVES AND FRIENDS
CIVIL SERVICE
SCHOOLS AND UNIVERSITIES
JOB SELECTION CRITERIA
WORKER
PERSONAL CRITERIA
EMPLOYER
HIRING PRACTICES
PLACEMENT

*Prepared by Daniel H. Kruger, School of Labor and Industrial Relations, Michigan State University, 1962.

the total available supply of workers includes both the labor force and the labor force reserve.

The supply of labor creates goods and services only if employed. In a job economy, the worker needs a job to provide the necessary means to support himself and his family. There are varieties of jobs required to man a complex industrial urban society. The jobs are classified by occupations or groups of occupations. For each job there are certain requirements, either written or in the mind of the employer, precise or vaguely drawn. The available jobs include those filled and those unfilled for which the employers are actively seeking persons, or which they would fill if persons turn up.

How Worker and Employer Find Each Other

As we have been discussing them, the supply of labor and the supply of jobs are abstractions. They take on meaning in a particular labor market transaction when a worker starts looking for a job and an employer starts looking for a worker. Possessing certain characteristics, abilities, education and skills, and a more or less definite idea of the job he wants, the worker seeks to sell his labor services to an employer. The employer who is looking for a particular type of labor service has a job description calling for certain qualifications. Both worker and employer have to adapt themselves to labor market conditions. If a worker possesses skills not in demand, he may have to lower his vocational sights; and if an employer cannot find a worker to meet his qualifications, he may have to alter his qualifications.

In culminating a labor market transaction, both the worker and the employer use a variety of channels of hiring. The employer, if operating under a labor agreement, may have to recall one of his laid-off employees. He may place a job order with the local office of the state employment service; he may hire someone off the street; he may ask his current workers to help him find someone. He may turn to a private fee-charging employment agency, or he may recruit at high schools and universities. He may pirate a worker away from another firm. A public employer would use the civil service system if he operated under this system.

The worker, in his job search, may use the local office of the state employment service. He may answer an ad in a newspaper or place one in the hope that an employer will read it. He may apply at the employer's employment office or seek a job through the hiring hall. He may seek job placement assistance from a private fee-charging agency or call on his relatives and friends for job information. If a student, he may well use the placement services of his school or college. If interested in public employment, he would probably take a civil service examination.

Both worker and employer use first those channels which they know best. If the worker and the employer are not brought together through one channel, they use others. Several channels may be used simultaneously. It must be stressed that the worker and the employer may choose how they will go about finding each other. Any evaluation of the placement activities of the public employment service must take this into account. Later we shall discuss the channels of hiring in more detail.

Once the worker and the employer are brought together, a labor market transaction is not necessarily completed. When they meet, job selection criteria come into play. The employer has a set of hiring practices. This may include a physical examination, testing, and checking of references. This may also include unwritten discriminatory practices involving race, color, or creed. While the employer is applying his job selection criteria, so is the worker—he may not like the conditions of employment; he may feel that the pay is too low; he may view the job as being different from its original description. The job selection criteria are affected not only by current labor market conditions, but also by the parties' willingness to accept each other, based on personal preferences. If all these conditions are met, a placement results.

Changes in the Manpower Supply

As was noted, the potential supply of workers and the labor market transactions are affected by labor market conditions. In addition, the operation of the job economy underscores the complexity of utilizing human resources in our industrial society. Workers are *not* homogeneous; they are no longer just "hands" to hire and put to work.They are a resource; they can feel, think, and act upon their volition. They can be active in that they adjust, or try to adjust, to the demands of the job economy; they can be passive in that they attempt no adjustments on their own.

In the postwar period, perhaps more than in other periods in our economic history, we are recognizing the complexities involved in the full utilization of our manpower resources. Inappropriate education, unsuitable skills, age, and poor health may restrict the worker's bid for employment. A worker may be unable or unwilling to move where there are jobs for which he is qualified. A worker's expectation of getting another job is a further complicating factor. An unemployed auto worker, for example, who has been earning $2.75 an hour may be reluctant to accept a job at $1.50 an hour.

Quantitative Changes

The rapid introduction of technological improvements, coupled with urbanization and increasing national wealth, has altered the occupational distribution of the work force (table 1). These changes emphasize the increasing heterogeneity of manpower services. In the last 60 years, dramatic shifts have occurred; these have become more pronouncd and accelerated in the last 2 decades, 1940-60. The proportion of white-collar

Table 1

Distribution of Major Occupation Groups, by Percentages 1900-1960

Major Occupation Group	1900	1910	1920	1930	1940	1950	1960
White-collar workers	17.6	21.3	24.9	29.4	31.1	36.6	42.0
Professional, technical, and kindred workers	4.3	4.7	5.4	6.8	7.5	8.6	10.8
Managers, officials, and proprietors, excluding farm owners	5.8	6.6	6.6	7.4	7.3	8.7	10.2
Clerical and kindred workers	3.0	5.3	8.0	8.9	9.6	12.3	14.5
Sales workers	4.5	4.7	4.9	6.3	6.7	7.0	6.5
Manual workers	35.8	38.2	40.2	39.6	39.8	41.1	37.5
Craftsmen, foremen, and kindred workers.	10.5	11.6	13.0	12.8	12.0	14.1	12.9
Operatives and kindred workers	12.8	14.6	15.6	15.8	18.4	20.4	18.6
Laborers, excluding farm and mine workers	12.5	12.0	11.6	11.0	9.4	6.6	6.0
Service workers	9.0	9.6	7.8	9.8	11.7	10.5	12.6
Private household workers	5.4	5.0	3.3	4.1	4.7	2.6	3.3
Other	3.6	4.6	4.5	5.7	7.1	7.9	9.3
Farm workers	37.6	30.9	27.0	21.2	17.4	11.8	7.9
Farmers and farm managers	19.9	16.5	15.3	12.4	10.4	7.4	4.0
Farm laborers and foremen	17.7	14.4	11.7	8.8	7.0	4.4	3.9

Note: Groups do not always add to 100 percent because of rounding.

Source: U. S. Department of Commerce, 1900-1950; U. S. Department of Labor, 1960.

workers in the labor force rose from 31.1 percent in 1940 to 42 percent in 1960, more than a one-third increase. During the same period, the proportion of professional and technical workers increased 44 percent, and managers and officials gained 40 percent. Clerical workers increased over 50 percent, while sales workers declined slightly.

Manual workers have been declining in relative importance, from 39.8 percent in 1940 to 37.5 percent in 1960. The largest decline occurred in the unskilled laborers with a drop of over 36 percent.

Service workers, as a whole, increased during this period from 11.7 percent to 12.6 percent. Within this group, however, domestic workers have been declining, which leaves the other service workers with a gain of 30 percent.

The most dramatic decline has occurred in farm workers. This has been going on since the turn of the century. Between 1940 and 1960, the proportion of farm workers decreased 55 percent.

Rapidly increasing technological improvements affect the operation of the labor market. The mechanism on which we rely for allocation of the labor force is not working perfectly or self-adjusting. It does not ensure that the displaced or unemployed worker will automatically find employment without delay or hardship. The labor market tends to operate more effectively when technological change comes slowly or gradually. This is not the situation today. As David Sarnoff, Chairman of the Board of RCA, has pointed out, "The very fact that electronics and atomics are unfolding simultaneously is a portent of amazing changes ahead. Never before have two such mighty forces been unleashed at the same time."[1]

The pace of technological change has been accelerated through the impressive increase in expenditures for research and development by the federal government, private industry, and others. In the period 1950-61, these expenditures increased from $2.9 billion to $14 billion, 380 percent.

In addition to adjusting to these technological innovations, the labor market is feeling the impact of large numbers of workers in search of employment. The supply of workers willing, able, and actively seeking to work is being affected by three major forces.

First, there are those workers whose jobs have been and are being affected by economic and technological change. Of particular importance was the movement of nearly two million workers out of agricultural and rural areas which took place in the decade 1950-60. Agricultural employment dropped 24 percent, from 7.5 million to 5.7 million, yet total output increased substantially. Another dramatic example of workers affected by technology occurred in bituminous coal mining. Here production workers declined from 351,000 in 1950 to 149,000 in 1960, a decrease of about 60 percent, while productivity, defined as average tons per man, more than doubled. In manufacturing, the number of production workers in 1960 was about the same as in 1950, approximately 12.5 million. During this same period the Federal Reserve manufacturing index, adjusted for seasonal variation, rose from 75.8 to 109.7 percent.

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[1] U.S. Congress, Joint Committee on the Economic Report, Subcommittee on Economic Stabilization, *Automation and Technological Change*, 84th Cong., 1st sess. (Washington: Government Printing Office, 1955), p. 4.

Technology, as reflected in increases in productivity, that is, output per man-hour, affects many workers each year. The Bureau of Labor Statistics has estimated that if annual productivity increases 2.5 percent, the labor displacement will be 1.5 million workers. If there is a three percent increase, the displacement will be nearly two million.[2] It must be noted, however, that displacement is not the equivalent of unemployment, nor can productivity rates be translated directly into unemployment figures. If the real product of the economy increases as much as productivity, the displaced workers (or an equivalent number of others) will be reabsorbed.

A displaced worker may not necessarily be involved in a labor market transaction; he may be transferred to another job with the same employer and may never experience any unemployment at all. Others may experience varying periods of unemployment before finding other jobs; still others may have become occupationally obsolete and experience extreme difficulties in finding suitable jobs. Here, we are concerned with those workers who are not absorbed by their employers and who are in search of a job. Their exact number is not known, but the high rates of unemployment in the last five years suggest that there are many such workers.

Second, a major force affecting the supply of labor is the proportion of women working. Between 1950 and 1960, the number of women in the labor force increased from 18.7 million to 23.6 million, a gain of over 25 percent. Currently, about one-third of the labor force are women. Although we cannot go into the many factors responsible for this trend, it is important to note that women have developed a two-phase working cycle. Once out of school, they seek jobs. After marriage, they tend to leave their jobs to rear their children. Once the children no longer tie them to the home, many reenter the labor market. Between 1950 and 1960, the number of women in the labor force, ages 14 to 44, increased only 12 percent, while the number over 44 years of age increased 57 percent.

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[2] Ewan Clague, *Social and Economic Aspects of Automation*, report before the Joint Automatic Control Conference (Boulder, Colorado: University of Colorado, June 28, 1961), mimeographed, p. 7.

Third, the most impressive factor affecting the labor supply is the large number of young people entering the labor force. The nation is beginning to feel the effects of the high birth rate after World War II. In 1950 there were 13.3 million workers 14-24 years of age in the labor market; in 1960 there were 13.9 million; and in 1961 there were 14.4 million. In one year (1960-61), over 500,000 young workers entered the labor force.

The labor market requires time to adjust to the impact of technology and the forces affecting labor supply. In the long run, it does adjust; but the long run may take a lifetime. Workers must be concerned with the short run as well as the long run. Usually, they need jobs immediately.

Qualitative Changes

Changing technology is having an effect on the kinds of workers employers are seeking. United States Department of Labor data on the characteristics of the unemployed suggest that employers are seeking workers with higher levels of education, training, and skill. During 1962 about two-fifths of the unemployed were in the semiskilled and unskilled occupational classifications. If those with no previous work experience were included, they would account for about half of all the unemployed.

Table 2 shows how the less educated workers are feeling the impact of employers' changing manpower requirements. The unemployment rates for males 18 years old and over are presented for 1950 and 1959, by years of education completed. These 2 years were selected because the unemployment rates for the group as a whole were identical, 6.3 percent. In 1950 the unemployment rate for those workers with 0 to 4 years of schooling was about 3.5 times that for those with 16 years or more. In 1959 the rate for the former was seven times that of the latter. Viewed another way, the unemployment rate for those with 0 to 4 years of schooling increased 16 percent between 1950 and 1959. The rate for those with 13-15 years of education declined 23 percent; and for those with 16 years or more of schooling, the rate declined 39 percent.

Those with less formal education are not able to compete realistically for the available jobs. Among this group are nonwhites whose unemployment rate during the last five years has been more than double that for whites.[3] Although nonwhites compose less than 10 percent of the labor force, they have accounted for about one-fifth of all unemployment in each of the last five years.

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[3] In the *Monthly Report on the Labor Force,* December 1962, the unemployment rate for nonwhites was 11 percent compared to 4.6 percent for whites; in December 1961, the rate for nonwhites was 11.7 percent compared to 5.1 percent for whites.

Table 2

Unemployment Rates in 1950 and 1959 for Males 18 Years of Age and Older, by Years of Education Completed

Years of Education	Percent of Civilian Labor Force		Change as Percent of 1950 Rate
	1950[a]	1959	
0-4	8.5	9.9	+16
5-7	8.3	9.7	+17
8	6.7	7.3	+ 9
9-11	7.1	8.1	+14
12	4.7	4.9	+ 4
13-15	4.3	3.3	—23
16 plus	2.3	1.4	—39
Unemployed males 18 years of age and older	6.3	6.3	0

[a] All unemployment rates in 1950 are adjusted upward for: (1) census undercount of labor force and unemployment compared with the Current Population Survey; and (2) persons with jobs but on temporary layoff or waiting to be called to new jobs, excluded from the unemployment classification in 1950 but included in 1959.

Source: U.S. Congress, Joint Economic Committee, *Employment and Unemployment*, Hearings, 87th Cong., 1st sess., Subcommittee on Economic Statistics, December 18, 19, 20, 1961 (Washington: Government Printing Office, 1962), table by Clarence Long, p. 378.

Also in the group whose educational preparation handicaps them in meeting employers' current hiring requirements are the school dropouts. It has been estimated that about one-third of the nation's young people drop out of school before completing high school. In addition to lacking adequate formal education, many belong to minority groups, which adds another barrier to their obtaining jobs. Unprepared for the world of work, the school dropouts experience difficulty in finding employment. In many instances, they have had little help in vocational guidance. Too many of them have no clear understanding of their abilities, talents, shortcomings, or how to go about getting jobs. In addition, some have not developed acceptable work habits.

According to United States Department of Labor data, 18 percent of the 214,000 school dropouts in 1960 were unemployed in October 1960.[4] In October 1959, about one out of every four of the school dropouts in the labor force were unemployed.[5] The plight of the jobless and placeless school dropouts has been characterized by James Conant as "social dynamite." Mary Kohler and Andre Fontaine, referring to the school dropout, have dramatically described how the nation wastes a million kids a year.[6] If the current dropout rate continues, 7.5 million of the estimated 26 million youths entering the labor market during the 1960's will be school dropouts. Of this number, 2.5 million will not have gone beyond elementary school.

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[4] Sophia Cooper, "Employment of June 1960 High School Graduates," *Monthly Labor Review*, LXXXIV, no. 5 (May 1961), p. 465.

The employment problems of school dropouts are interrelated with those of young workers in general. The unemployment data reflect the difficulties of the nation's youth in finding jobs. Table 3 shows the rate of unemployment between 1957 and 1961 for the age group 14-19 years. With the exception of 1958, this group of workers accounted for about one-fifth of all unemployment in each of the years. In this five-year period, the unemployment rate among young workers has been between two and three times the rate for the nation as a whole.

Table 3

Number Unemployed in Selected Age Groups as Percent of All Unemployed, and All Unemployed as Percent of Civilian Labor Force in the United States 1957-1961

Age Group	1957	1958	1959	1960	1961
14-19 years of age (000)	574	757	727	792	921
Percent of all unemployed ...	19.6	16.2	19.1	20.1	19.2
45 years of age and over (000).	861	1,357	1,144	1,130	1,424
Percent of all unemployed ...	29.3	29.0	30.0	28.7	29.6
All ages (000)	2,936	4,681	3,813	3,931	4,806
Percent of civilian labor force	4.3	6.8	5.5	5.6	6.7

Source: *Employment and Earnings, Annual Supplement,* Vol. 8, no. 12 (June 1962).

Both inexperienced young workers and older workers (45 years old and over) have difficulty in finding jobs because of their inability to measure up to employers' hiring requirements.

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[5] Sophia Cooper, "Employment of June 1959 High School Graduates, October 1959," *Monthly Labor Review,* LXXXIII, no. 5 (May 1960), p. 504.

[6] Mary Conway Kohler and Andre Fontaine, "We Waste a Million Kids a Year," *Saturday Evening Post,* CXXXV, nos. 10-12 (March 10, 17, and 24, 1962), pp. 15-24, 50-70, and 58-64, respectively.

As indicated in table 3, this older age group has accounted for about three-tenths of all unemployed in each of the five years. While their age may be a handicap in their bid for employment, they may also be lacking in other qualifications, such as education. For example, in a 1961 study of older unemployed workers in Lansing, Michigan, it was found that 46 percent had not finished elementary school and 22 percent had not finished high school. Thus, over two-thirds of the unemployed older workers had less than a high school education. These were the dropouts of a generation ago.

The Manpower Problem

In the job economy there are large numbers of workers whose prospects for employment would not be significantly enhanced by a higher rate of economic growth. These workers do not possess the necessary skills to meet employer hiring requirements. On the other hand, there are large numbers of job vacancies which could be filled if there were qualified workers available. Many of the workers could compete more realistically for some of the available jobs if they had the necessary training. Other job vacancies involving professional and technical occupations are slow to respond to placement efforts because of the fundamental educational and preparatory requirements of the jobs. The nation cannot be insensitive to those workers who want to work but who are experiencing difficulties in their search for employment. Similarly, the nation cannot ignore the job vacancies. The survival of the economic system depends on having an adequate supply of workers able to meet the manpower requirements of the nation.

There is a growing awareness that society is becoming more manpower conscious. The enactment of the Area Redevelopment Act, the Manpower Development and Training Act, the Trade Expansion Act, the Public Works Acceleration Act, and the National Defense Education Act, to mention a few, are but tangible evidence of the public's decision to seek out solutions for a better utilization of its human resources.

The projections for the job economy in the immediate years ahead forecast further development of those trends which have been operative since the end of World War II. The shift away from unskilled jobs to white-collar employment, such as professional and technical, sales and clerical, and service jobs, will continue and may even accelerate. For young workers this emphasizes the vital importance of education and preparation for a career. The problem is quite different for established and experienced workers of all occupations. A male older worker is unlikely to return to school for several years to qualify for a profession, but he may be capable of learning a new occupation or upgrading his skills if afforded that opportunity.

The size, shape, and composition of the labor force during the current decade will present pertinent problems for maximum and effective manpower utilization. It has been estimated that the labor force will increase during the 1960's from 74 to 87 million, a gain of 18 percent. Within the labor force, there will be significant changes occurring. There will be a very large increase in the number of young workers under 25 years of age. According to United States Department of Labor estimates, 26 million younger workers will be entering the work force during the 1960's. This is almost 50 percent more than the number who entered the labor force in the 1950's.

At the other end of the age spectrum, there will be 33 million workers 45 and over in the labor force by 1970, a gain of 20 percent over the 1950's. The longer life span, the advances in medical services, and a better standard of living help to explain the increase in the older worker group.

The proportion of workers in the prime age worker group, 25-44 years of age, will decline. During the 1960's, this group will account for about 40 percent of the labor force. Because of the comparatively low birth rate during the 1930's, there will be actually fewer workers (about a quarter of a million) in the 35-44 age bracket available in 1970 than there were in 1960.

There will also be large numbers of women entering the labor force. The estimates are that the proportion of women in the work force will increase to 35 percent by 1970. Nearly one-half of all women 35-64 years of age will be working or looking for a job.

These trends suggest that the short supply of job seekers in the intermediate age group, 25-44, will create pressures on employer recruitment in the immediate years ahead. To meet their manpower requirements, employers may have to obtain workers from among the young inexperienced workers, the older workers, and female workers.

As to the potential supply of jobs, the operation of a complex, modern industrial society requires a wide range of diverse skills. Some industries will grow faster than others. The United States Department of Labor has estimated that compared with the 20 percent rise in total employment, employment in construction and in finance, insurance, and real estate will rise at a much faster rate; employment in trade, government services, and all other services will rise at a faster rate; employment in manufacturing will be about the same, while that in transportation and public utilities will grow at a much slower rate; there will be a further decline in agriculture.[7] There is substantial evidence that an imbalance in the American labor force is developing as a result of the changes occurring in both the supply and the demand for labor.

The public employment service is but one channel of hiring through which workers and employers are brought together. The quantity and quality of the available labor supply and employer manpower requirements are important factors affecting the operation of the public employment service.

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[7] *Manpower Challenge of the 1960s* (Washington: U.S. Department of Labor, 1960).

III. Historical Development From a Labor Exchange to an Employment Service

In analyzing the role of the employment service in a changing economy, we need to examine its historical development. Since its inception, the public employment service has evolved in response to the pressures of the job economy.

European Origins of Employment Service Concepts

It is generally assumed that the need to establish public employment offices did not arise until after the industrial revolution and as a direct consequence of the numerous economic and social dislocations caused by that tremendous upheaval. Authoritative reference works which deal with the origin of employment services in the principal European countries, however, point out that during the Middle Ages the craft guilds performed essential placement functions for their members. This was true, for instance, in Germany and France.[1] Their placement work was not uniform in method, sometimes being carried on by journeymen, sometimes by the masters of the craft. Workers in certain trades sought employment on their own account and in their wanderings consulted the lists of the local vacancies, which, according to the custom in many trades, were posted in the journeymen's inns.[2] Substantially comparable situations prevailed in Sweden[3] and in Switzerland.[4]

These first efforts to provide for a centralized placement service were followed, in most European countries, by the establishment of municipal facilities in the mid-nineteenth century.[5] In each of these countries, first efforts to establish national coordination of these offices, or to establish a strictly national system, came about toward the turn of the century.

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[1] A. Gilbert, *Administration of Public Employment Offices and Unemployment Insurance in France* (New York: Industrial Relations Counselors, Inc., 1936), p. 108.

[2] Oscar Wiegert, *Administration of Placement and Unemployment Insurance in Germany* (New York: Industrial Relations Counselors, Inc., 1934), p. 33.

[3] K. Bergstrom and Associates, *Administration of Public Employment Offices and Unemployment Insurance in Sweden* (New York: Industrial Relations Counselors, Inc., 1935), p. 199.

[4] F. Mangold, *Administration of Public Employment Offices and Unemployment Insurance in Switzerland* (New York: Industrial Relations Counselors, Inc., 1935), p. 279.

[5] See chapters on the development of public employment offices in the 4 reference works cited above.

Early Steps in the Establishment of Public Employment Offices in the United States, 1834-1907

In this country, as in Europe, the first publicly financed employment offices were established by individual municipalities: New York City in 1834; San Francisco in 1868; Los Angeles and Seattle in 1893; Superior, Duluth, Sacramento, Butte, Tacoma, Great Falls (Montana), and Spokane between 1899 and 1906; and Denver, Kansas City, St. Joseph (Missouri), and Chicago between 1913 and 1915.

It was inevitable that the responsibility for directing these services would gradually move to the state because:

> . . . the municipal employment office with few exceptions has made little contribution toward effective public employment office administration and, therefore, toward any permanent or widespread organization of the labor market. Even those which have been more permanent have remained very much as isolated units. They have assumed no responsibility for developing any systematic cooperation in respect to unfilled demands with other municipal offices whether in the same or other States. An institution so inherently local can hardly be expected to think or act in national terms; nor has it.[6]

Beginning in 1890 with the state of Ohio, a trend started toward the establishment of state-directed systems. The Ohio law was followed by one in Montana in 1895; New York, in 1896; Nebraska, in 1897; Illinois and Missouri, in 1899; and Connecticut, Wisconsin, Kansas, and West Virginia, in 1901. By 1923, public employment office laws had been enacted in 32 states, although purely municipal offices still continued in such cities as Seattle, Sacramento, Louisville, Richmond, and Chicago.

In 1914 William M. Leiserson, one of this country's most ardent advocates and vigorous spokesmen for the establishment of public employment offices, concluded that the movement had gained momentum for three principal reasons:

> (1) the abuses of private employment agencies
> (2) the lack of farm labor in agricultural States
> (3) the presence of great numbers of unemployed wage-earners in the industrial centers.[7]

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[6] Shelby M. Harrison and Associates, *Public Employment Offices, Their Purpose, Structure, and Methods* (New York: Russell Sage Foundation, 1924), p. 115.

[7] William M. Leiserson, "The Theory of Public Employment Offices and the Principles of Their Practical Administration," *Political Science Quarterly*, Vol. XXIX, no. 1 (March 1914), p. 29.

But, commenting on their accomplishments, he wrote:

> The history of public employment offices in the United States illustrates well how legislation may fail its purpose because little attention is devoted to problems of administration. Laws are passed after long campaigns of education to arouse the public to a realization of their importance and to an understanding of their theoretic principles. This done, those who have been most active in studying the subject drop the matter and political workers are appointed to administer the laws . . . At the present writing more than 60 public employment offices are in existence in 19 different States. Yet nothing like a body of scientific administrative principles has been developed among them. There is no uniformity in their methods, no cooperation between offices, no definite policies of management.[8]

Leiserson also observed that whatever the reasons for establishment of offices, the results, in most instances, had been the same:

> In theory they were designed to furnish clearing houses for labor, to bring work and the worker together with the least delay, and to eliminate the private labor agent, whose activity as middleman is so often accompanied by fraud, misrepresentation and extortion. In practice far from supplanting private agencies, the free offices have not even maintained an effective competition against them. With few exceptions their operations have been on a small scale, their method unbusiness-like, and their statistics valueless if not unreliable.[9]

Whereas the principal protagonists for public employment offices had argued that such facilities were desperately needed by the wage earners of the nation, Samuel Gompers, president of the American Federation of Labor, in 1911 observed that existing agencies were ample for distributing the labor forces of the country.[10] The Massachusetts Commission to Investigate Employment Offices argued:

> For well-known reasons we never think of establishing governmental grocery stores and governmental dry goods shops in the hope of having the community better served than by private

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[8] *Ibid.*, p. 28.

[9] *Ibid.*, p. 29.

[10] Samuel Gompers, "Schemes to Distribute Immigrants," *American Federationist*, Vol. XVIII, no. 7 (July 1911), pp. 527-528.

> enterprise. The same reasons should clearly govern our attitude toward employment offices, unless it is shown that the employment office business is different from other business.[11]

The Massachusetts Commission, while calling attention to the abuses and inadequacies of private fee-charging employment offices, concluded that the difficulties of establishing a system of free employment bureaus under state or municipal authority were too great, and the demand not sufficiently clear to warrant legislation which would make such organization mandatory. Public employment offices, in the Commission's opinion, should not be established to compete "with the private office in placing regular domestic, mercantile, or other skilled labor."[12]

Leiserson countered that the Massachusetts Commission obviously did not understand the nature of the employment business. The Commission's comparison of employment offices with groceries and dry goods stores proved that its three-month study of the subject was insufficient. Leiserson deftly argued that "the comparison should be with the post office, the school system, the distribution of weather and crop reports . . ."[13]

These early offices were completely inadequate and did little to help organize the labor market in their communities. Moreover, an investigation by the United States Commission on Industrial Relations found that the state and municipal employment offices frequently issued inaccurate statistics.[14] It found that they were guilty of slipshod record keeping, that they catered to down-and-out casual workers, that they were housed in poor and ill-ventilated quarters in the skid row areas, and that they failed to attract public notice or public support or the confidence of better workers and employers. This situation was charged to the lack of training of the officers in charge, inadequate salaries, and the utilization of the system to reward political favorites.

Gradually the state service became aware of the need for administrative, program, and policy ties with the state administered offices in other states. This called for a federal instrument capable of tying the state agencies together into an integrated system with comparable programs, policies, standards, and operating practices in *all* states.[15]

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[11] William M. Leiserson, "The Theory of Public Employment Offices and the Principles of Their Practical Administration," *Political Science Quarterly*, Vol. XXIX, no. 1 (March 1914), p. 30 [quoting *Report of the Commission to Investigate Employment Offices* (Boston: May 1911), p. 13].

[12] *Loc. cit.*

[13] *Ibid.*, p. 31.

[14] U.S. Congress, Senate, *Final Report and Testimony Submitted to Congress by the Commission on Industrial Relations*, 64th Cong., 1st sess., S. Doc. 415 (Washington: Government Printing Office, 1916), p. 113.

Efforts Toward the Establishment of a Nationwide Federal-State System, 1907-1932

The federal government's public employment work began in 1907 when the Bureau of Immigration and Naturalization began to distribute immigrant labor among the states. In 1914 the Immigration Service sought to develop a nationwide information system concerning employment opportunities. The country was divided into districts with an inspector in charge of each. Employers seeking workers and workers seeking jobs filled in application forms at the local post office. The completed forms were mailed free of charge to any immigration station.

America's entrance into World War I intensified the need for an organized public employment service. At that time more than 50 branch employment offices were scattered throughout the country. These were not regarded as adequate to meet war needs, so Congress, at President Wilson's request, appropriated $1,075,000 "to defray the expenses of allocating productive labor throughout the United States." Management of the system was turned over to a newly created division in the federal Department of Labor, the United States Employment Service. Under this program the country was divided into 13 districts, and a system of state advisory boards and community advisory boards was organized to advise on the recruitment of labor. This expansion of the employment service, however, proved to be only a temporary wartime measure; at the termination of hostilities, the activities of the service were sharply curtailed. Reductions in appropriations impelled the United States Employment Service to transfer its field offices to states and municipalities.

The state and municipal offices were thus again left with the job of organizing the labor market. In 1919 the Kenyon-Nolan Bill was introduced in Congress, which bill would have provided that the federal government establish an interstate clearance system to join the states together; establish and maintain a certain minimum uniformity in policies and procedures; pay to the states, upon their compliance with certain agreed-upon conditions, fixed sums of money; and establish a system of inspection of state offices. The bill did not pass. The USES did continue to operate, but it provided limited services. It supplied certain types of information on employment conditions, gave only limited financial assistance to state offices, and aided in farm placements.

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[15] It is interesting to note that the federal government, which had established a certain number of federally operated offices during World War I, kept many of them in operation right up to the time of the Wagner-Peyser Act, which was passed in 1933, and charged them primarily with operating a farm placement service and a veterans' placement service.

The concept of a federal-state system of public employment offices did not die. In 1931 Congress passed the Wagner bill which provided for the development of a federal-state system of employment service partly supported by grants in aid, but it was vetoed by President Hoover because he preferred the establishment of a national employment service directly administered by the federal government. Congress, recognizing the urgency of the unemployment problem, appropriated funds with which to set up federal employment offices. About 100 of these offices were eventually opened, with more than one-third being located in places where state agencies already existed. In a few cities, demonstration public employment centers were established, which was one outstanding achievement.[16] Later, investigation showed that the federal offices had been organized with inadequate consideration of employment service needs and that the personnel had been selected, for the most part, on a political basis. In April 1933, the system was disbanded by the Secretary of Labor.

The Wagner-Peyser Act and Its Implementation, 1933-1937

The federal employment service, as we know it today, was finally established by the passage of the Wagner-Peyser Act on June 6, 1933. This act set up the United States Employment Service as a division of the Department of Labor. A thorough reorganization of the USES was made. A new and more competent administrative staff was appointed, and the national office was greatly strengthened. Charged with encouraging the establishment of state-administered employment offices throughout the nation by federal grants-in-aid to the states on a matching basis, and providing for federal grants to help defray operating costs, the new United States Employment Service had duties to:

> . . . promote and develop a national system of employment offices for men, women, and juniors who are legally qualified to engage in gainful occupations, including employment counseling and placement services for handicapped persons, to maintain a veterans' service to be devoted to securing employment for veterans, to maintain a farm placement service, to maintain

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[16] Raymond C. Atkinson, Louise C. Odencrantz, and Ben Deming, *Public Employment Service in the United States* (Chicago: Public Administration Service, 1938), p. 21.

> a public employment service for the District of Columbia, and, in the manner hereinafter provided, to assist in establishing and maintaining systems of public employment offices in the several states and the political subdivisions thereof in which there shall be located a veterans' employment service. The bureau shall also assist in coordinating the public employment offices throughout the country and in increasing their usefulness by developing and prescribing minimum standards of efficiency, assisting them in meeting problems peculiar to their localities, promoting uniformity in their administrative and statistical procedure, furnishing and publishing information as to opportunities for employment and other information of value in the operation of the system, and maintaining a system for clearing labor between the several States.[17]

From the beginning, the new United States Employment Service developed very rapidly. At the time of its creation there were 23 state employment services, 18 of which affiliated with the new employment service within one year, thus becoming eligible for federal grants. By the close of the second year, the affiliated services numbered 24, and by June 30, 1936, there were 34 state services functioning under the act.[18]

The establishment of a federal-state employment service in the midst of a serious economic depression inevitably involved the new agency in developing programs for public works and work relief projects. Since the states, in 1933, did not have a sufficient number of employment offices to supply the labor for the federal government's emergency work program, the National Reemployment Service was set up under the direction of the United States Employment Service for the purpose of referring workers to relief projects. The new organization met an immediate need, and the United States Employment Service soon became the placement agency to fill the growing employment rolls of FERA, PWA, CWA, WPA, CCC, and NYA. One of the major accomplishments of the National Reemployment Service was the development of a nationwide system of public employment exchanges to serve employers and workers until the states provided efficient public offices that could participate in a federal-state cooperative system. In so doing, it strengthened the foundation for the system which was created by the Wagner-Peyser Act.

As states appropriated the necessary funds and made suitable provision for the administration of their own services, the National Reemployment Service turned offices over to them. The process of transfer was greatly accelerated in 1937 when social security grants were given to state employment services preparatory to the payment of unemployment benefits. With the introduction of unemployment compensation programs, the system of state employment services was completed and the National Reemployment Service was liquidated. By 1939 the National Reemployment Service was discontinued.

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[17] 48 Stat. L. 113, June 6, 1933.

[18] Atkinson, *et al.*, *op. cit.*, pp. 22-23.

All of these earlier public services were created in spite of the existence of numerous private employment offices, including many fee-charging services. For the most part, these private agencies offered their assistance to the same employers and workers as the public offices. Frequent concern, however, was expressed about the fee charged by private agencies for their services and about several related practices.[19] Public opinion generally held that neither employers nor workers should have to pay for assistance in the employment process that was so vital to the economic welfare of all citizens.

Following the enactment of the Social Security Act in 1935, the functions of the employment service were enlarged, because all states which sought to participate in the federal-state unemployment insurance program were required to provide that such insurance benefits would be paid only to registered claimants through a state public employment office. As a result, within a few years after the enactment of the enabling legislation in 1936, a state employment service operating in collaboration with the United States Employment Service had been established in all states.

During the first 4 years of operation under the new act, the public employment offices made more than 20 million placements, 72 percent of which were on public works or work relief projects. The vast job of registering the unemployed, relating their skills to the occupational patterns of the public works program, and referring qualified workers to the hiring officials as individual projects came into operation consumed a very great proportion of available staff time. In 1935 there were 13.2 million people registered for work in the local employment offices, and placement opportunities in private industry were largely confined to replacements for individuals leaving the labor market. When the peak of project-placement activity was passed, increasing attention was given to "job promotion" activities with private employers, but many of the openings were for short-time or fill-in jobs, frequently casual in nature. Transactions of this kind gave little opportunity for the offices to provide valuable personnel assistance to workers and employers.

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[19] U.S. Congress, Senate, *Final Report and Testimony Submitted to Congress by the Commission on Industrial Relations*, 64th Cong., 1st sess., S. Doc. 415 (Washington: Government Printing Office, 1916), pp. 108-112.

Continuing Expansion of Responsibilities and the Advent of Unemployment Insurance, 1937-1939

The public employment offices became the agency for administering the "work test" for unemployment benefit claimants. This new assignment forced a major expansion in both federal and state employment services. Funds became available for personnel to process claims and make referrals.

During the first six months of 1938, when almost half of the state unemployment compensation systems started paying benefits, the country experienced a sharp recession. Layoffs in industry created many more claimants than had been anticipated; the public employment offices in most areas were completely overwhelmed with just registering these claimants. Consequently, their main employment service functions were grossly neglected, while staff members worked on benefit claims.

The extent to which the employment service operations were submerged by unemployment compensation loads may be judged from reports of local office activities.[20] For the years 1938, 1939 and 1940, nonagricultural placements totaled 2.7, 4.2, and 3.7 million, respectively. The initial benefit claims taken in local offices during this period were 9.6, 9.8, and 11.1 million, respectively. The continued claims, however, for the second half of 1938 and the full years 1939 and 1940 totaled 22.7, 56.5, and 66.8 million, respectively.

These developments tended to change the employment service and modify its public image. The employment service activities were viewed, in some quarters, as being ancillary functions of the unemployment insurance administrative service or an "unemployment service." Taking claims and paying benefits tended to overshadow and obscure basic worker-finding and job-finding activities. This was particularly true in periods of business recession, when the public employment office became the place (1) to file claims for unemployment insurance and get benefit checks; (2) to get disqualified from receiving unemployment insurance benefits under certain conditions; (3) to find a job if unemployed.[21]

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[20] "The Public Employment Service System, 1933-1953," *Employment Security Review*, XX, no. 6 (June 1953), p. 21.

[21] Leonard P. Adams, *et al.*, *Report of Consultants on Future Policy and Program of the Federal-State Employment Service* (Washington: U.S. Department of Labor, Bureau of Employment Security, December 14, 1959).

This was a highly significant change, although it was unplanned and unintentional. No statement of public policy was proposed to make the public employment service a subsidiary of unemployment insurance or to limit its service to finding jobs for the unemployed who sought unemployment benefits. Insofar as public policy was concerned, the United States Employment Service was still charged with its original responsibilities.

Despite these conditions, steps were taken to develop the kinds of technical tools needed by the public employment service to carry out the responsibilities of the Wagner-Peyser Act. The occupational research program, established in 1934, undertook the job of analyzing and classifying the vast body of information about industries, occupations, and workers which would be needed to establish an efficient placement service for private industry. This information was incorporated into the *Dictionary of Occupational Titles (DOT)* of the United States Employment Service and was introduced into the states in 1939. For the first time, the local offices had a uniform basis for classifying work applications and job offers. This became an indispensable tool for selecting workers in accordance with employers' specifications. Late in 1937 the research program was broadened to include the analysis of organization and operating methods used in local employment offices.

By presidential order in 1939, the United States Employment Service was merged with the Bureau of Unemployment Compensation in the Social Security Board to form the Bureau of Employment Security. The Employment Service became a division of the new bureau. Technical units of the national office, working through the state services, continued to develop and test improved employment service tools and techniques. By and large, job openings in the local offices were secured by telephone calls from employers or by sporadic visits to industrial establishments. The bulk of placement activity was for unskilled, casual, and domestic and service workers. Neither the Employment Service nor private industry had come to realize the value of labor market information. Training programs, including apprenticeships, had shrunk to insignificant proportions. The focus of attention, to a very large degree, was centered on the relief of unemployment rather than on finding suitable employment.

A few states, however, had made remarkable progress in gaining employer acceptance of their placement services. The offices had learned to handle the increased responsibilities which came with the unemployment insurance programs and were proceeding to incorporate more effective methods into their regular operations. The national office was also beginning to explore the need for expansion of the labor market information program and interstate clearance system. Before these plans could be implemented, the Employment Service had to face a new and greater emergency.

The Role of the Employment Service During World War II, 1940-1945

The German attack on Great Britain in September 1939 opened the nation's eyes to the inevitability of our becoming involved, directly or indirectly, in war. As industrial plants and government facilities undertook the vast job of producing military hardware and other essential items, it soon became clear that extreme manpower shortages, particularly in the more skilled occupations, were imminent. The federal government provided the initial impetus for a wide variety of training programs designed to meet the anticipated skill deficits. National defense training funds became available for identifying current and expected labor shortage areas and for working closely with training agencies at all levels of government, particularly in selecting trainees.

The Employment Service greatly expanded its program of labor market information, consulting at frequent intervals with industrial managers on the effects which contracts being let would have upon their future work forces. In this fashion the Employment Service became a major source of information on future skill needs and the agent for referring qualified trainees to training establishments, both private and governmental.

The federal-state employment services were assigned the basic responsibility for mobilizing civilian manpower, finding competent workers for essential activities, and facilitating transfers and placements throughout the nation.

This period, in the words of an International Labor Organization report, "represents the coming of age of the public employment services in the United States."[22] In contrast to previous periods of large labor surpluses, the wartime labor market faced varied conditions. The extremely rapid and sometimes abnormal changes in national and local labor market conditions and the need for regulatory wartime programs presented a major challenge to the capacity and adaptability of the nation's public employment system. The ILO concluded that "it came through this period battle tested and confident in the knowledge of its underlying strength."[23]

On December 19, 1941, after the attack on Pearl Harbor, the state employment services were temporarily transferred to the federal government by presidential order and were placed under the direction of the Social Security Board. Federalization was deemed essential if the nearly 2,000 local offices throughout the country were to act immediately and concertedly in support of new manpower programs requiring interstate cooperation in the recruitment of labor. Although a large measure of cooperation had been forthcoming in most instances, it was, nevertheless, felt that centralized direction of the service would increase the efficiency of transferring labor between states. Moreover, it was felt that the federal service could direct and suggest training of surplus workers in one state in the hope of ultimately shifting them elsewhere. A nationally directed system could also remove local jealousies, which sometimes hampered the fullest use of the service's resources.

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[22] *National Employment Service — United States* (Geneva, Switzerland: International Labor Office, 1955), p. 5.

[23] *Loc. cit.*

The initial purpose of the federalization was to assure speed and uniform action in the recruitment activities in which the Employment Service was engaged, but as the war went on, a wide variety of additional measures were found necessary and were carried out in individual localities through the resources of the public employment office systems. These measures included local implementation of national policies to secure from employers agreements designed to avoid pirating of employees from other companies, to control advertising for labor, to channel all hiring through public employment offices or through agencies designated by these offices, to control separations primarily by referring such employees to the employment service, to establish employment ceilings for each firm, and to establish job priorities and restrict workers' job choices to activities of the highest priority.[24]

The public employment offices were transferred to the War Manpower Commission in September 1942, and became its operating arm. These offices assumed full responsibility for the difficult task of rationing the dwindling manpower supply among those establishments whose activities were considered most vital to the national defense. Relief from unwarranted or unwise actions by an area manpower director, that is, the local employment office manager, was assured through a system of appeals to panels of the area, regional, and national labor management committees. The control thus invoked by the War Manpower Commission and administered through local employment offices paralleled that in other nations, save that the "power of assignment" was not included. Distribution of manpower supply in accordance with national objectives was brought about by the control over separations and the redirection of available supply only to establishments which had high production urgency ratings.

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[24] Leonard P. Adams, *Wartime Manpower Mobilization* (Ithaca: Cornell University Press, 1951). Cornell Studies in Industrial and Labor Relations. An excellent description of World War II experience in the Buffalo-Niagara, New York, manpower area.

In addition, public employment offices provided many valuable aids to industrial personnel management in the form of manning tables, replacement schedules, and specialized recruitment activities directed toward people not usually in the labor force (for instance, housewives, the severely handicapped, the aged, and the recent school graduate).

The programs developed to secure maximum use of the nation's wartime work force were adapted to local, state, or national needs and were changed to fit the shifting phases of the wartime economy. These adaptations to local needs were possible only because the system of offices covered the nation, and at the same time, these offices had sufficient decentralized authority to be responsive to local conditions. Aside from the recruitment of workers, the Employment Service assisted employers in analyzing and solving personnel problems, thus aiding in improved manpower utilization. It also provided the basic labor market information which directly influenced procurement and production policy and helped to determine the location of new production, housing, and community facilities.

The Employment Service carried out its mammoth tasks with recognized success. Thousands of workers were recruited for wartime training programs. Placements rose to 12.2 million in 1944 as contrasted to 5.2 million in 1940. Millions of other workers were channeled through local offices to staff critical industries.

Wartime experience permitted local offices to broaden their contacts and relationships. The decentralization of War Manpower Commission operations permitted problems to be dealt with in the local area, where they could best be measured and handled within the broad framework of national policies. Local office staffs worked closely with management, labor, and public groups on all local manpower activities. The Employment Service thus could strengthen its contacts with the day-to-day economic life of the community. These wide-range activities of the Employment Service provided employers and unions with an opportunity to see the role of the public employment offices in contributing to the stability and improved functioning of the local labor market.

The Employment Service During Demobilization and Postwar Recession, 1945-1946

Even before V-J Day, the national office of the Employment Service had turned its attention to the study of manpower problems which would face the nation at the end of the war. These problems would most assuredly include the widespread dislocation of workers as a result of cutbacks in the war production plants, the assimilation of several million war veterans into the postwar economy, and the need to examine probable postwar employment trends for the guidance of students and trainees.

As a result of these studies, the Employment Service prepared a "Six-Point Program" for postwar reconversion for release to the states early in 1946. Its objectives were to assist in maximizing employment, maintaining job continuity, and sustaining purchasing power and high levels of production. It was an ambitious enlargement of the original simple labor exchange clearinghouse for unemployed workers and unfilled job openings. The program was to be carried out through the local employment offices of the affiliated state employment services. It included the following major features:

Placement service. To provide an effective placement service to facilitate the employment of veterans; of workers displaced by automation, migration of industry, etc.; of youths entering the labor market; of older workers; of handicapped workers; and of all other persons seeking jobs.

Employment counseling. To assist applicants of employable age to make sound vocational choices and plans in the light of their present or potential abilities and interests and in the light of employment opportunities.

Services to special applicant groups. To assist veterans, youths, older workers, and the handicapped—all with a tie-in with counseling, and all toward the ultimate end of satisfactory job placement.

Management service. To assist employers and labor organizations in the use of tools and techniques such as industrial and job analysis and testing proficiencies or aptitudes for effective selection, assignment, and transfer of workers.

Labor market information. To provide current and valid information (1) to workers, to assist them in choosing desirable employment; (2) to employers, to help them in planning recruitment activities, locating plants, or scheduling production in order to utilize best the available labor resources; (3) to training authorities, to assist them in coordinating training programs with employer needs; and (4) to others whose programs and plans may be affected by manpower considerations.

Community participation. To cooperate with community organizations and other agencies in employment planning by providing that employment service personnel shall take an active part in advancing activities and programs designed to increase economic activity and maintain high levels of employment in their respective communities.

When the Employment Service was federalized in 1941, President Roosevelt assured the states that the service would be returned to state control at the end of the national emergency. It was, therefore, inevitable that action would sooner or later be taken by Congress to live up to the President's commitment. In September 1945, the War Manpower Commission was abolished and, at the same time, an executive order returned the United States Employment Service to the Department of Labor. Congress enacted legislation returning the Employment Service to federal-state administration as of November 15, 1946. A number of different readjustments had to be made in personnel, equipment, and office space. Problems of administration arose from changes in personnel and in fiscal and legal rules and regulations of the various individual states as compared with those of the federal government.

A very significant change was in the method of financing. The matching provisions of the Wagner-Peyser Act, under which the states had been required to match federal allocations for their state employment services and which were in effect until federalization of the Employment Service in 1941, were not resumed. The Employment Service became the only federal-state program financed entirely from federal grants.

During this period, the Employment Service sought to adapt the best of its experiences during the war to peacetime operations; at the same time it had to serve the veterans. The Servicemen's Readjustment Act of 1944 (Title IV of Public Law 346), popularly known as the G-I Bill of Rights, had important repercussions on the Employment Service. The $20 weekly unemployment allowance brought millions of veterans to Employment Service offices. A program of preferential placement of disabled veterans over veterans, and of veterans over nonveterans was instituted. The educational programs of the G-I bill, particularly apprenticeship and on-the-job training, gave wider responsibilities to Employment Service testing, counseling, and placement functions. The Veterans Employment Service was reconstituted in the United States Employment Service.

In the 5-year period, September 1, 1944, to August 31, 1949, the Servicemen's Readjustment Act program brought 14.2 million new applicants into the local offices. They filed 8,901,345 new claims for unemployment allowances, 11,850,836 additional claims, and 161,355,368 continued claims. In addition, 700,000 self-employed veterans filed 6.5 million claims. Nearly six million veterans filed their first claims between September 1, 1945, and August 31, 1946.

Facing the prospect of a postwar decline in employment, Congress passed the Employment Act of 1946, which contained the following declaration of policy:

> It is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor and state and local governments to coordinate and utilize all its plans, functions and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprises and the general welfare, conditions under which they will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production and purchasing power.[25]

President Truman, in a statement made at the time he signed the act, declared its adoption was a commitment by the government to take "measures necessary for a healthy economy, one that provides opportunities for those able, willing, and seeking to work." The United States Employment Service was to assist in realizing this commitment.

With public attention thus focused on national objectives for maintaining and improving the economic and employment health of the nation, the Employment Service again assumed an important role. Its information on labor supply and labor markets was sought by civic groups concerned with bringing new industry into the locality. Its occupational analysis program and counseling and testing services, which had made great strides in past years, were further developed and used by increasing numbers of students and job seekers. Migration of workers was geared not only to individual job adjustment, but also to the broad objectives of full use of our human resources as outlined by the Employment Act of 1946. At the national level, the Employment Service became a principal source of employment information for the Council of Economic Advisers.

The Employment Service sought to create a unified national labor market, made up of a network of efficient local and regional labor markets, as a vital instrument in a full-employment economy. These developments did much to increase the usefulness of the Service to wage earners and employers and to enhance its prestige and importance in the whole labor market.

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[25] 60 Stat. L. 23, February 20, 1946.

During this period, there were several important organizational changes. The farm placement program, which had been transferred from the United States Employment Service to the Department of Agriculture in April 1943, was returned to the USES early in 1948. Under the appropriation act for fiscal 1949, the USES itself was transferred from the Department of Labor to the Bureau of Employment Security of the Federal Security Agency (formerly the Social Security Board). Once again, the USES and the unemployment insurance program were in the same bureau. In August 1949, the Bureau of Employment Security was transferred to the Department of Labor under the President's Reorganization Plan No. 2.

Also in 1949, the second edition of the *Dictionary of Occupational Titles* was published. Whereas the first edition contained over 29,700 job titles defining approximately 17,000 separate jobs identified by about 8,000 occupational classifications, the second edition was more complete and featured improvements in presenting job information. This edition contained 22,028 defined jobs, known by 40,023 titles and had 8,983 occupational classifications.

With the invasion of Korea in June 1950, the nation was again alerted for defense readiness. Employment offices were called upon to make more detailed analyses of anticipated manpower needs in defense establishments and to provide preferential services for such plants. No "controls" of the kinds used in World War II were established, but again all operating facilities were geared to the needs of the preparedness program, even if service to less essential users had to be curtailed.

The gradual shift from civilian to defense activity was achieved without major unemployment. Substantial labor surpluses did appear in a limited number of areas in late 1951. Defense Manpower Policy No. 4 was thus adopted in February 1952, emphasizing the need for placing defense contracts in areas of substantial unemployment. The Employment Service had the responsibility for providing current and anticipated labor market information for an increasing number of areas. This information was also required by other governmental agencies for making decisions on such matters as location of public housing and location of new plants. As a result, the program of classifying local area labor markets grew in significance. The number of areas covered on a regular basis was increased from 100 to about 180. They were classified as follows: (1) areas of labor shortage, (2) areas of balanced labor supply, (3) areas of moderate labor surplus, and (4) areas of substantial labor surplus. This same classification system was to be used in the Area Redevelopment Act (1961) and the Public Works Acceleration Act (1962) as the basis for federal assistance.

During the 1950's, following the end of the fighting in Korea, the Employment Service expanded its services to various special worker groups—youth, handicapped, and older workers. Its tools and techniques—testing, counseling, job analysis and classification, and job opportunities information—were further refined. The community development program was introduced to assist communities in expanding employment. The Professional Office Network was instituted to provide special placement assistance to professional workers. The first supplement to the 1949 edition of the *DOT* was issued in 1955.

Attention was also given to improving the employment office management process. Standards and techniques for determining the need for opening new local offices, especially outside the standard metropolitan areas, were developed. The budgeting method on which administrative grants to the states were based was changed from overall average placement-time-factor experience to a new system of standard time factors. Briefly, the new system measured the actual time required to complete various employment service work tasks such as processing new applications, counseling, interviews, tests, and placement.[26]

More emphasis was given to staff development and improving staff competency. Funds were specifically appropriated for the first time in fiscal year 1959 for out-service training of state agency personnel to supplement their in-service training programs. University-based training programs were developed for counselors. Arrangements were made with the Brookings Institution to develop a series of seminars in executive leadership for administrative staff personnel from the state agencies and the Bureau of Employment Security. The efforts in improving the management process and staff competence were made to increase the effectiveness of the Employment Service. Other significant changes were to be forthcoming.

Reorganization of the United States Employment Service, 1962

In February 1962, the United States Employment Service was reorganized and strengthened within the framework of the federal-state employment security system. The reorganization, according to Secretary of Labor Goldberg, "was the result of an urgent need for expansion and improvement of services to workers and employers. It reflected a recognition of the national character of many employment and unemployment problems."[27] He pointed out that the Kennedy administration had committed the federal-state employment security system to serve as the major operating instrumentality in the field of manpower development and utilization and of income maintenance during periods of unemployment, training, and retraining.[28] The Employment Service, through its affiliated state agencies and 1,900 local offices, would be responsible for:

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[26] The budgeting process, including the standard time factors, is discussed in more detail in Chapter V, pp. 84-85.

1. Providing a nationwide employment service for both employees and employers.
2. Providing for the development and initiation of training and retraining activities for the nation's existing and potential labor force.
3. Developing and executing programs to reduce and prevent adverse effects of automation on the labor force.
4. Developing and maintaining the necessary capability for meeting national emergency or other disaster needs for civilian manpower.
5. Providing pertinent labor market and related information to labor, management, government, and the public.[29]

National attention was focused on the United States Employment Service. Soon after his inauguration, President Kennedy, in his State of the Union Message to the Congress, proposed "to expand the services of the United States Employment Offices." Again in his Economic Message to the Congress, February 2, 1961, he said:

> I am directing the Secretary of Labor to take the necessary steps to provide better service for unemployment insurance claimants and other job applicants registered with the United States Employment Service. This will require expanded counseling and placement services for workers or jobseekers (a) in depressed areas; (b) in rural areas of chronic underemployment; (c) displaced by automation and technological change in factories and on farms; (d) in upper age brackets; and (e) recently graduated from college and high school.[30]

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[27] "The New United States Employment Service in 1962," *Employment Security Review*, XXIX, no. 4 (April 1962), p. 1. See chart 3, p. 102, for structure before reorganization and chart 4, p. 104, for new organizational structure. Shortly after the reorganization, other changes were made (see chart 5, p. 105).

[28] *News* (Washington: U.S. Department of Labor, Bureau of Employment Security, January 30, 1962), p. 1.

[29] *Ibid.*, p. 2.

[30] "The New United States Employment Service in 1962," *op. cit.*, p. 7.

In his Public Welfare Program Message to the Congress, February 1, 1962, President Kennedy also emphasized the increasing role to be played by the United States Employment Service:

> Systematic encouragement would be given all welfare recipients to obtain vocational counseling, testing, and placement services from the United States Employment Service and to secure useful training wherever new job skills would be helpful.

Because of his interest in improving the United States Employment Service to make the best use of the nation's manpower, President Kennedy amended the budget request for the Bureau of Employment Security for the fiscal year 1962, and also asked the Congress to make additional funds available for May and June of the fiscal year 1961. His statements and actions, coupled with congressional actions through substantive legislation and increased appropriations, created the new look of the United States Employment Service.

In summary, the public employment service is a social invention. The historical evolution may be viewed as efforts by society to find a more rational approach in improving labor market organization and to bring about a more effective utilization of human resources.

IV. Employment Services

Since its inception, the USES has been expanding its services. What are these services? What does a modern public employment service do? Why have these services expanded? We need to answer these questions if we are to understand the role of the USES in a changing economy.

At the outset, the public employment offices were labor exchanges, uniting the jobless with available jobs. Beginning in the late 1930's the USES became more than just a simple exchange. While placements remained the heart of its operations, its basic objective became *to facilitate the employment process* to the end that the manpower resources of the nation might be used more effectively. The employment process is made up of a number of factors such as the availability of workers, the kinds of jobs currently available, the future job prospects, the kinds of skills needed to perform particular jobs, the characteristics of workers seeking jobs, their work experience, how they can be inducted into particular jobs, how they can be organized into effective work groups, and how they are able to find individual satisfactions on the job.

The USES facilitates the employment process through the promptness with which workers and jobs are advantageously brought together, through the extent to which workers are adjusted to the jobs they fill, and through the degree to which continuous employment is available to the majority of workers. Furthermore, it aids the employment process through collecting, organizing, analyzing, and disseminating labor market information. It serves workers, employers, and the public by disseminating information about job opportunities, availability of workers, and the status and trends in the labor market. It counsels workers who seek assistance and students entering the labor market on how they can best exercise their talents and abilities in fitting into jobs that will yield the greatest return and satisfaction and in which they can make the greatest contribution to the nation's economy. The USES furnishes employers with helpful interviewing techniques and selection aids. It has been responsible for identifying training needs under the Area Redevelopment Act (ARA) since 1961, and under the Manpower Development and Training Act (MDTA) since 1962. Thus, in facilitating the employment process, the USES performs seven major functions: (1) maintaining an active placement service; (2) providing employment counseling; (3) rendering special employment services to young inexperienced persons, older workers, the handicapped, and veterans; (4) conducting labor market studies and other research related to employment, and furnishing labor market information; (5) supplying industrial services to employers and labor organizations; (6) cooperating with other government agencies and community groups concerned with the employment process; and (7) identifying training needs under ARA and MDTA and supplying qualified trainees. We shall discuss each function briefly.

Placement Service

The USES seeks to fill employers' job openings with occupationally qualified workers and to locate for workers jobs suited to their skills, knowledge, and abilities. The Service increases workers' geographical mobility through an inter-area recruitment system. An influential factor in determining whether employers and workers meet is the hiring channel. In this capacity, the Employment Service evaluates the skill, knowledge, and ability of workers seeking jobs and directs them to suitable job openings. By so doing, it can help reduce the length of unemployment and can assist in transfers to better jobs. Concomitantly, it contributes to a more satisfactory occupational adjustment for workers which, in turn, leads to improved efficiency.

The placement function takes place within a framework of USES policies.[1] The placement service is available to any job applicant legally qualified to work, without regard to his place of residence, current employment status, or occupational qualifications. In the employment interview, the Service obtains from an applicant only the information necessary to determine his qualifications for employment and to facilitate his placement in a job. It cannot extend preference in referral to any applicant or group of applicants except in accordance with legal requirements. The Service does have a legal obligation to give priority in selection and referral to qualified veterans and to give disabled veterans priority over other veterans. An effort is made to ensure, insofar as practicable, that workers are placed on jobs that utilize their highest skills and that applicants suitably qualified for openings are referred to employers. The USES cannot make any referrals that will aid directly or indirectly in filling a job that is vacant because the former occupant is involved in a labor dispute or is being locked out by the employer in the course of a labor dispute. Referrals, however, can be made to the struck firm for positions not covered by the labor agreement. Referrals can also be made to places of employment in which a labor dispute exists provided that the applicant is given written notice of such dispute prior to, or at the time of, his referral. It cannot recruit workers for employment opportunities if the wages, hours, and conditions of work offered are substantially less favorable to the individual than those prevailing for similar work in the locality.

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[1] *National Employment Service—United States* (Geneva, Switzerland: International Labor Office, 1955), pp. 35-40.

The public employment service must be available to all workers legally qualified to work. It must serve new workers as well as experienced ones. It must serve older workers as well as veterans and handicapped workers. It likewise serves all employers whose jobs to be performed or terms and conditions of employment are not contrary to federal, state, or local law. It serves large employers whose manpower needs require continuous access to the widest possible supply of labor. It serves small employers with limited personnel for recruiting and evaluating worker qualifications. It serves employers engaged in seasonal or intermittent production who, at the beginning of each work period, must recruit their entire work force. It serves those who need workers not readily available through their normal channels of hiring. For the most part, these employers are in manufacturing, retail and wholesale trade, and service industries.

The need for placement services, however, varies among workers, employers, and communities. Some workers rely on the public employment service, while others are able to find jobs through other channels of hiring. Some employers look to the Employment Service as the primary source of job applicants, while other employers use other means to recruit workers. In those communities with few industrial and business firms, limited service may be required, while in the larger urbanized industrial communities public placement assistance is essential. The Employment Service, therefore, allocates its resources to meet the placement needs of the area being served by the local office.

Under the Wagner-Peyser Act, the USES is charged with assisting "in maintaining a system for clearing labor between the several states," so that workers and employers in widely separated geographical areas can be brought together in an orderly fashion. The Service can assist in obtaining employment for those workers unable to find jobs in their own localities or for those who want to move to another community. It also assists those employers who are attempting to expand in areas where there is a general labor shortage or a shortage of particular skills.

The clearance or inter-area recruitment service operates through several devices: (1) sending written employer orders and written job applications between offices; (2) making arrangements for the employer's hiring representative to visit local offices where applicants are available and to interview and hire on the spot; (3) delegating to the Employment Service the authority to select and hire in other cities; (4) making arrangements for long-distance telephone interviews between the employer and applicants who seem to meet the employer's requirements.

The clearance system is used only after local recruitment efforts have proved unsuccessful. This usually means local recruitment of unemployed workers. When the Employment Service is given the hiring authority, arrangements are made for the eventual interview between applicant and employer. An applicant may have to travel at his own expense. The employer may advance the cost of travel with or without return travel in case the applicant is not hired, or the employer may pay all travel expenses. Similarly, the medical examination may be provided for in the applicant's hometown or may be given at the point of employment.

Placement assistance is also given to foreign nationals. They may enter the United States when the USES certifies to the Immigration and Naturalization Service, in accordance with provisions of Public Law 414 (The Immigration and Naturalization Act), that a shortage in the domestic labor supply exists for a specific occupation, or for certain hiring specifications. The United States Department of Justice looks to the USES to determine the needs of employers for foreign workers and to verify their assurances of employment in accordance with immigration laws and regulations.

Employment Counseling

To support the placement function, the Employment Service provides employment counseling. Under the Wagner-Peyser Act and the Servicemen's Readjustment Act of 1944, the USES has a legislative mandate to provide such counseling. These laws recognize that at any time there are many people with problems of occupational choice and adjustment. These problems arise from the growing complexity of the labor market and differences in workers' aptitudes, interests, skills, and physical capacities. In a complex industrial system, it is difficult for many people to find out about job opportunities and job requirements in order to make an intelligent vocational choice. The USES helps them.

In recent years, nearly one million young workers have been entering the labor market each year. On the whole, they know little about industrial and business conditions and have only a vague understanding of their own interests and abilities. Local employment offices cooperate with educational authorities to provide students about to enter the labor market with a year-round program of individual counseling, aptitude, and proficiency testing; group guidance; occupational and labor market information; and job placement consistent with the students' demonstrated abilities, potentialities, and interests. This type of cooperative program is now in operation in over one-third of the nation's high schools.

Another group in need of job counseling is the occupationally maladjusted. These workers have particular skills, but need assistance in adjusting to the current realities of the job situations or in finding other jobs in line with their aptitudes, interests, and abilities. Some of these workers have employment problems because of technological improvements, geographical shifts of industry, lack of appropriate skills or education, or a previously unsatisfying vocational choice. Some are unemployed older workers 45 years old and over who need assistance in adjusting to new jobs which may be substantially different from their former jobs.[2]

The physically handicapped represent another group of USES applicants in need of counseling. While many are disabled veterans, there are even greater numbers of partially disabled nonveterans who need specialized counseling and selective placement services. There are also those workers who need assistance because some employers have restrictive hiring practices involving race, color, creed, and age.

To provide an effective counseling service in the community, the USES has a twofold program. One part is to provide counseling to any worker or potential worker in need of such service who visits the local office. The other is to provide assistance in strengthening the counseling services of other agencies, such as the schools, through cooperation and exchange of materials. To implement this program, the USES has developed a variety of tools which include a vast and expanding fund of pertinent labor market information, General Aptitude Test Battery (GATB), specific aptitude tests to determine the applicant's potential for an occupation in which he has no previous experience, and performance tests in stenography and typing. By using these tools and techniques, the Employment Service attempts to help workers make a successful vocational adjustment so that the skills and experience of the community's work force may be used to the fullest.

Services to Special Applicant Groups

Earlier we noted that there are groups of workers requiring special placement and counseling services. We have selected four groups for further discussion—veterans, young workers, older workers, and professional and technical workers—in that order. The Employment Service has a legislative mandate to provide services for veterans and young workers. It is giving special attention to the employment problems of older workers because this group is experiencing difficulties in competing in the labor market. The nation's concern for professional and technical workers is reflected in the specialized professional placement facilities of the USES.

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[2] Daniel H. Kruger, "Employment Problems of Older Workers," *Business Topics*, VII, no. 4 (Autumn 1959), pp. 29-39.

Veterans

The Wagner-Peyser Act provides that the USES "maintain a veterans' service to be devoted to securing employment for veterans." Under this act, a veterans' employment representative was appointed in each state to serve as a link between the USES and local offices serving veterans. The Servicemen's Readjustment Act of 1944 and the Veterans' Readjustment Assistance Act of 1952 placed further responsibilities on the USES to provide counseling and placement services for veterans. Within the USES structure, there is an Office of Veterans Employment Service which maintains liaison with the state veterans' employment representatives. These services are the only special veterans' services provided by Congress which are not administered by an agency specifically set up to serve the needs of veterans.

In order to assure that veterans are given effective service, the veterans' employment representative in each state and in each local office is responsible for seeing that the local office activities in behalf of veterans are well coordinated. His job includes seeing that every veteran's application for work is given active consideration for available job openings and that adequate counseling and information services are provided. In addition, veterans are given priority in referral to jobs over nonveterans. Special emphasis is placed upon service to disabled veterans, including assistance to employers in establishing in-plant training programs, so that these veterans will be assigned to suitable jobs.

Young Workers

Since its inception, the USES has given attention to employment problems of youth. It has found that young people need special services in vocational planning and job placement. The Mid-Century White House Conference on Children and Youth, held in December, 1950, recommended that: (1) a more comprehensive vocational guidance and placement service be provided for those who are still in school and for those who drop out; (2) reliable occupational information be made available; and (3) guidance and counseling services be strengthened and extended in schools, public employment offices, and other agencies serving youth. The USES and other groups sought ways to strengthen programs for the emerging needs of young people. Its youth program includes placement and counseling services, providing special labor market and occupational information, assisting employers to identify entry occupations, and promoting job opportunities.

Preparing special job information is an important part of the youth program. The USES publishes annually a job guide for young workers containing information on duties, characteristics, qualifications, employment prospects, advancement opportunities, and methods of entry for a wide variety of jobs frequently held by young people leaving high school.[3] These guides represent the accumulated experience and knowledge about jobs for youth gained by Employment Service staff in their daily contact with young workers and with employers of young people.

Local offices of the USES have developed cooperative arrangements with more than 10,000 high schools. Under this program, counseling, testing, and placement assistance is given high school students planning to look for employment. Local offices help graduates and dropouts find regular jobs; part-time or temporary work; and aid other students in getting summer jobs. The USES estimates that close to 600,000 high school seniors will be registered by local offices in this cooperative program during the current school year [1963].[4]

The increasing number of young workers going into the labor force has stimulated greater interest in employment problems of this group. President Kennedy, in 1961, appointed a Committee on Youth Employment with these objectives: (1) to improve the employability of young people through maximum education and training; (2) to increase employment opportunities for all youth seeking work; (3) to identify and examine the extent to which existing programs are fulfilling their purposes. Secretary of Labor Goldberg took action in November 1961 to implement these objectives. A division of Youth Employment Services was established within the USES. A state supervisor of youth was appointed in each state employment service agency. Provision was also made for the appointment of a coordinator of youth services in each of the 55 largest metropolitan areas. In addition, a representative in each of the Bureau of Employment Security regional offices was designated to follow through on the youth programs of the state agencies in his region.

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[3] For further details, see *Job Guide for Young Workers*, 1963-64 ed. (Washington: Government Printing Office, 1963); also see *Choosing Your Occupation* (Washington: Government Printing Office, 1960).

[4] "Secretary Wirtz Issues Job Guide for Young Workers," *News* (Washington: U.S. Department of Labor, March 15, 1963), p. 2.

The growing concern with youth employment problems has led to the introduction in Congress of a bill to establish a Youth Conservation Corps and to provide public service employment for young workers 16 to 19 years of age. If this bill, popularly known as the Youth Employment Opportunities Act, is passed, the Employment Service will handle the selection and placement of trainees. At this writing, the Youth Employment Opportunities Act is before the Congress. President Kennedy had given it a high priority in his legislative program.

Older Workers

Beginning in 1956, the USES inaugurated an older worker program. Unemployed workers, 45 years and over, have increasing difficulty finding suitable employment. Unfavorable beliefs and generalizations about older workers have developed and have been translated into restrictive hiring practices. This is significant since there are currently over 28 million older workers in the labor force, and the number is increasing. By 1970, the United States Department of Labor estimates that there will be over 33 million older workers.

The older worker program is designed to help older workers continue productive lives through suitable employment. The program calls for fact finding, public information and education, and special placement services.[5] The USES undertakes appropriate research studies and follows through with action programs. It conducts educational programs for employers, employer groups, labor unions, and community groups to increase employment opportunities for older workers. It accepts any applicant who is legally qualified to work, without regard to age, and offers him placement, job development, and counseling services. To supervise the activities for the older worker applicant group, a specialist is assigned in each state agency and in many larger local offices. All staff members in local offices, however, serve older workers as well as other job applicants. They are given training in the special methods and techniques of counseling and placing older workers.[6]

Professional and Technical Workers

Rapid advancements being made in science and technology are creating an ever-growing demand for more professional, scientific, and technical workers. To meet this demand, the Employment Service provides specialized placement facilities for these workers. In October 1957 a nationwide professional office network was created. Currently there are 122 local offices linked by direct communication so that unfilled openings for professional people are made directly available to those offices which may have unplaced professional applicants. Every two weeks a list of all unfilled professional openings is compiled and circulated to all local offices throughout the nation.[7]

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[5] *Services to Older Workers by the Public Employment Service*, BES no. E-169 (Washington: Government Printing Office, 1957).

[6] *Counseling and Placement Services for Older Workers*, BES no. E-152 (Washington: Government Printing Office, September 1956).

In the large metropolitan offices which have been organized on an occupational-industrial basis, there are units which provide specialized services to professional and technical workers. In some areas there are cooperative placement programs with professional societies. Furthermore, in 1962, 17 states and the District of Columbia had centralized statewide programs for teachers.

Another method of serving professional job applicants is through the USES convention placement services. The state employment service, affiliated with the USES of the state in which the professional society is meeting, operates an on-site service for job applicants attending the convention. Since 1953, when the service was first begun, about 60 conventions (as of May 1963) of major professional associations have been provided this specialized placement program.

Labor Market Information and Occupational Research

For the individual worker, labor market information tells where jobs exist and provides a basis for intelligent choice of the jobs available. It reduces the futile pursuit of nonexistent job opportunities. The worker's choice of a job in a job economy is too important for society as well as for himself to be based upon an uninformed parent's or friend's advice or upon chance. He, therefore, needs two types of labor market information to aid him in making this vital vocational choice.

First, he needs reliable information about the current labor market, both local and national. He needs to know what openings are available for one with his skills, experience, and interests. He should also know the relative advantages of remaining in his area or of seeking employment in another community—either within the state or outside it. Second, he should know enough about labor market trends to ascertain whether he is choosing a job in a declining industry or in an establishment with an unstable employment record. He may make a different choice if he knows the prospective demand for and supply of workers in each of the fields in which he has vocational interest or qualifications.

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[7] For more information on this service, see *Professional Placement Service of the United States Employment Service* (Washington: U.S. Department of Labor, Bureau of Employment Security, May 1962); and *Placement of Professional Personnel*, rev. ed. (Washington: Government Printing Office, April 1962).

The effectiveness of the USES in serving workers, employers, public agencies, and community groups depends largely upon the quality and adequacy of its labor market information. This includes data obtained not only from various groups and individuals in the community, but also from the day-to-day operations of the local employment service in its job applicant records, occupational analysis information, and hiring specifications as indicated on employer orders for workers. The local offices collect information on the trends and levels of employment and employment opportunities in various industries and occupations; the activities that are expanding and those that are declining; the number and characteristics of unemployed workers; and the practices in the community with respect to employment of women, new workers, youth, older workers, and minority groups.

This information is obtained monthly for the country's 150 major labor market areas. The states, in turn, use this information to prepare the statewide labor market data. Then the USES and the Bureau of Employment Security compile, analyze, and interpret the information for the whole nation. Analysis of this information gives a picture of labor market conditions. Thus, in each major American community, employers and workers have at their fingertips information about the availability of workers and employment opportunities.[8]

Despite the critical role played by occupational labor market data in employment service operations, only a few states were systematically organizing and disseminating such information prior to 1956. Starting in early 1956, the Bureau of Employment Security launched a program designed to overcome this. More than 40 state agencies are currently participating in the program. Its objective is to conduct area skill surveys in all major communities every two or three years. These periodic skill surveys yield valuable information on trends in employment by occupation. In addition, occupational guides, based largely on survey results, are also being prepared.

The area skill surveys consist of an analysis by occupation of the man-

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[8] For criticisms of the statistics of total unemployment for local areas, see *Report of the President's Committee To Appraise Employment and Unemployment Statistics, Measuring Employment and Unemployment* (Washington: Government Printing Office, 1962). This report notes that these statistics "remain one of the weakest parts of the overall system of labor force statistics" (p. 75). The estimates of state and local employment and unemployment are discussed in detail in chapter VII.

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ized placement facilities for these workers. In October 1957 a nationwide professional office network was created. Currently there are 122 local offices linked by direct communication so that unfilled openings for professional people are made directly available to those offices which may have unplaced professional applicants. Every two weeks a list of all unfilled professional openings is compiled and circulated to all local offices throughout the nation.[7]

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[7] For more information on this service, see *Professional Placement Service of the United States Employment Service* (Washington: U.S. Department of Labor, Bureau of Employment Security, May 1962); and *Placement of Professional Personnel*, rev. ed. (Washington: Government Printing Office, April 1962).

Some of the area skill surveys have been limited to locally important occupations, particularly professional and skilled occupations. Others have concentrated on selected key industries in the community. In some cases, the surveys cover only current employment by occupation and sex. Such surveys are called occupational indexes or skill inventories. A significant byproduct of the area skill survey is information on the current occupational composition of individual firms and industries. These employers usually provide information about their current labor requirements and the supply situation.

Area skill surveys are community projects, involving the cooperation of such groups as employer associations, labor organizations, schools, civic organizations, and government agencies; the state affiliates of the USES supply technical assistance and usually some staff to conduct them.

Occupational guides are another type of useful labor market information supplied by the USES. These booklets are used mainly in vocational guidance and employment counseling. They contain information on selected jobs and their significance to a community, current and anticipated employment opportunities, training facilities, method of entry, promotional opportunities, remuneration, and working conditions. They may cover a single occupation or a group of closely related jobs. They may dwell on occupations in key industries or may encompass a number of occupations of interest to particular groups, such as young workers.

Labor market information has many uses. We have already noted its importance for the worker. For those responsible for vocational guidance and counseling, it is an invaluable tool for assisting the worker to relate himself to available job openings. Employers use it for planning personnel activities, such as scheduling of operations. They use it in the making of decisions with respect to location or relocation of facilities. Various organizations and public agencies interested in manpower problems, economic development, training, social work, and public welfare are important users of this information.

Labor market information is also used by the local offices of the Employment Service to improve the employment process within their respective areas. By analyzing local data, the local staff can better meet community needs. In the USES state and national offices, the data provide the basis for evaluating state and national trends which, in turn, indicate where and when emphasis should be placed and how resources—both staff and facilities—should be allocated. Furthermore, the state and national data are used by legislators in state and national governments to formulate public manpower policies.

One aspect of the labor market information program which is increasing in importance is the automation research and manpower services demonstration projects. These projects are cooperative activities involving management, labor, and state employment service agencies. The USES provides general direction for them. The objective of the automation research program is to learn about the nature of work force adjustments to technological change. Its essential concern is with the reorientation and retraining of the displaced workers and with the identification of changes in occupational requirements brought about by improved technology. Through the use of the case study approach, the program seeks to develop the most satisfactory possible solution to an automation manpower supply-demand problem in a given local market area, utilizing all available Employment Service and community resources.

In addition to the labor market information activities, the Employment Service has an extensive occupational and testing research program. Reference has already been made to the *Dictionary of Occupational Titles (DOT)* and the General Aptitude Test Battery (GATB). Both are essential for providing effective counseling and placement services, especially in view of accelerated technology and its effect on jobs. Fundamental changes are occurring in the nature of occupations and the manner in which they are grouped. To keep up with these changes, USES has intensified its research and development in aptitude testing and in occupational classification structures.[9] These newer approaches are needed for effective placement services to workers and employers.

Industrial Services

The Employment Service provides certain services to employers. Local offices refer job applicants and conduct recruitment campaigns for employers when the employers cannot find persons with special skills among currently registered applicants. If necessary, the inter-area recruitment system is used, at the request of the employer, to obtain workers from other communities. In some instances, employers give the local employment service office an exclusive job order to refer qualified applicants for all of their labor requirements. For example, recently the Ford Motor Company agreed to use the Michigan State Employment Service as its agent for future recruitment of all hourly personnel in the River Rouge area. Designated local offices in the Detroit area handle recruitment for a given plant. The personnel selection plan, as it is called, is coordinated through the Detroit manufacturing office of the state employment service.[10]

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[9] Carl Baird, Robert Halbeisen, and John Kaarsberg, "Improving Occupational Statistics," and A. B. Eckerson, "The New Dictionary of Occupational Titles," *Employment Security Review*, Vol. XXX, no. 2 (February 1963).

Techniques and tools developed by the USES for placement services are made available to employers. Techniques which have proved valuable to employers in resolving manpower problems include job analysis, methods of evaluating skills and aptitudes of job applicants, and methods of relating their qualifications to job requirements. Occupational information is available to employers. Special aptitude tests are developed for them upon request. In addition, suggestions are made for controlling turnover and absenteeism. These services are provided as part of an integrated employment service.

In recent years, the USES has been expanding its services to unions. Within the new national office structure, there is a Division of Employer and Union Services (see chart 4, p. 104). Prior to 1962, the limited services offered to unions were the responsibility of the Division of Employer Relations. An example of services to unions is the joint program with the International Printing Pressmen and Assistants' Union of North America (AFL-CIO) developed in 1959 to obtain better selection of apprentices through the use of USES selection and appropriate aptitude tests.[11] More recently, a committee of USES and state agency representatives met in Washington to explore ways and means of strengthening services to unions and their members.[12] Concentrated efforts are being made to acquaint union members and their families with the services of their state employment service and to encourage the use of such services.[13]

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[10] For details see "Ford-MESC Conclude Unique Deal," *MESC Messenger*, VII, no. 1 (January 21, 1963), p. 3.

[11] See president's letter and article by George O. Baker, "Selecting Qualified Apprentices," *The American Pressman*, Vol. X, no. 5 (May 1960); for discussion of this program, see also *Better Selection of Apprentices Through Local Offices of the State Employment Services* (Washington: U.S. Department of Labor, Bureau of Employment Security, October 21, 1959).

[12] *Summary of Proceedings and Recommendations of Work Committee on Employment Service-Labor Union Relationships* (Washington: U.S. Department of Labor, Bureau of Employment Security, December 5-7, 1961).

[13] For example, see "State Employment Services Offer Interesting Help," *Steel Labor*, XXVII, no. 2 (February 1962), p. 5.

Services to employers and unions are designed to facilitate the employment process. There are other groups in the community interested in manpower development and utilization. The USES seeks to develop cooperative relations with such groups.

Working With Other Government Agencies and Community Organizations

The activities of vocational rehabilitation agencies, vocational training agencies, schools, and welfare organizations bear a direct functional relationship with public employment offices. Labor market information; occupational analyses; and interviewing, selection, and counseling techniques are made available to these and other groups by the Employment Service. In turn, these agencies may assist the local office by providing services to applicants which lie beyond the scope of local office programs and facilities. State and local office staff members help organize and carry out manpower studies needed by these community organizations for planning. They also participate in community programs for particular groups such as older workers, physically handicapped, and young workers.

Local offices work with schools in counseling and placement of young people, either in summer or in regular employment. Recently the Employment Service has been giving much more emphasis to the employment problems of school dropouts. In a number of states, state committees dealing with problems of school dropouts have been established and state employment service staff members participate on them.

Many states and communities have undertaken economic development programs. The state agencies work with statewide groups, while local offices supply pertinent labor market information to assist local groups to attract and develop new employment opportunities.

Recently the USES has been given additional responsibilities for working with community groups. Local offices, under both the Area Redevelopment Act (ARA) and the Manpower Development and Training Act (MDTA), work with community groups to determine training needs so that appropriate training programs for unemployed and underemployed workers can be developed. We next turn to a brief discussion of the services provided by the USES under recent federal legislation related to training and retraining.

Training and Retraining Activities

The nation's experience with unemployment during the last five years has given rise to the development of federal programs to resolve the unemployment problem. Two sets of facts have influenced these public programs. First, the level of unemployment in recent years, even during business prosperity, has been high, i.e., an annual rate in excess of 3 percent; and second, the number of long-term or hard-core unemployed workers, i.e., out of work for more than 26 weeks, has increased. The first program dealing with training and retraining, the ARA, was enacted in 1961; the second, the MDTA, was passed in 1962. Both acts assigned new responsibilities to the USES.

ARA provides for improving the employability of the unemployed through occupational training and retraining in those designated redevelopment areas which have experienced high rates of unemployment for long periods of time or in which there is substantial underemployment. Persons selected to participate in the training programs receive a training allowance in an amount equal to the average weekly unemployment compensation payment in a given state. Payments are made only for the period in which the individual is participating in the training program, and they cannot exceed 16 weeks' duration.

The USES is very much involved in the administration of the act. The local office makes findings of fact as to area unemployment, which serve as the basis for determining the eligibility of "depressed" urban areas. It makes studies of the area work force and provides technical assistance in manpower planning. Through the counseling and testing programs, training needs of unemployed individuals are evaluated. The local office makes findings as to the kinds of training programs which should be offered in view of the occupational potential of the unemployed and prevailing labor market conditions. It is responsible for the selection of trainees and their placement upon completion of the programs. Actual instruction is provided through the appropriate school authorities which have been delegated this responsibility by the Department of Health, Education, and Welfare. Training allowances are paid by the unemployment compensation divisions of the state employment security agencies.

Between October 1961, when ARA funds became available, and June 30, 1963, a total of 453 training programs was approved for 22,388 persons in 647 separate courses of instruction for 228,617 training weeks in 42 states, the Virgin Islands, and American Samoa.[14]

MDTA is more extensive. It seeks to deal with the problems presented by large numbers of unemployed workers who cannot be expected to obtain full-time employment without some kind of training. The responsibilities of the USES under MDTA are similar to those assigned under ARA. There are, however, important differences between these acts. For example, ARA is limited to designated "depressed" areas or redevelopment areas, whereas MDTA applies to any area in which there are unemployed workers and young workers who can improve their employability through selected training programs. MDTA provides the same level of training allowances as ARA, but the payments generally go to unemployed persons who have had at least three years' experience in gainful employment and who are heads of families or households. These allowances can be paid for 1 to 52 weeks of training.[15] MDTA places much more emphasis on manpower research than does ARA. USES and state employment service staffs participate in many of these studies.[16] The central focus, however, is on training programs. Although MDTA was passed in March 1962, Congress did not appropriate funds until August 1962. As of June 1963, USES, together with the Office of Manpower Automation and Training of the Department of Labor, had approved more than 1,450 training projects to provide training and related services to nearly 54,000 persons in 49 states, the District of Columbia, Puerto Rico, and the Virgin Islands.

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[14] For more information on occupational training and related activities under ARA, see *Occupational Training and Retraining Under the Area Redevelopment Act* (Washington: U.S. Department of Labor, August 1961); and *Training for Jobs in Redevelopment Areas* (Washington: Government Printing Office, 1962).

Other Services

In addition to ARA and MDTA, two other laws recently enacted relate to the activities of the USES. The Public Works Acceleration Act (Public Law 87-658) is designed to stimulate employment through the construction and improvement of needed public projects in eligible areas. These facilities, in turn, are expected to aid these communities in promoting long-range industrial growth and employment development. The eligible areas are designated monthly by the Secretary of Labor. To qualify, they must have had substantial unemployment for at least 9 of the preceding 12 months. The local offices of the state employment service collect the labor market information which forms the basis for designating area eligibility. Furthermore, local offices will refer workers to contractors working on public facilities if the contractors request placement assistance. They also work with community economic development groups to develop public works project plans for submission to appropriate federal agencies in order to get funds available under the act.

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[15] For more complete information on MDTA, see *The Manpower Development and Training Act of 1962—Its Origin and Provisions* (Washington: U.S. Department of Labor, April 1962); and *Your Opportunity for Job Training* (Washington: U.S. Department of Labor, Bureau of Employment Security, 1962).

[16] For description of research studies, see *Report of the Secretary of Labor on Research and Training Activities Under the Manpower Development and Training Act*, transmitted to the Congress in February 1963 (Washington: Government Printing Office, 1963), especially pp. 69-94.

Another federal act which assigned new duties to the USES is the Trade Expansion Act of 1962 (Public Law 87-794). Pertinent provisions affecting the USES relate to adjustment assistance given to workers who are laid off or working only part time because of increased imports resulting from trade concessions. The United States Tariff Commission makes the determination as to whether their unemployment is due to trade concessions. Worker eligibility is determined by the Secretary of Labor and, if approved, the workers are entitled to readjustment allowances, training, and job relocation assistance. They apply for these benefits at the local employment security office. The USES is directed by law to provide placement services to these adversely affected workers. Training is available principally under MDTA. Readjustment allowances are denied to those who refuse suitable training or drop out of training programs without good cause. Relocation allowances are authorized to the heads of families who have little or no prospect of suitable reemployment in their home locality, and who can get jobs in another community. The relocation allowance covers transportation costs and moving expenses, and amounts to a lump sum of two and one-half times the average weekly manufacturing wage, currently about $230.

Trade adjustment allowances are paid to eligible workers. They are in an amount equal to 65 percent of the worker's average weekly wages or to 65 percent of national average weekly wages in manufacturing, whichever is less. Payments continue for 52 weeks, but may be extended to 78 weeks if the worker is participating in an approved training program.

As of September 1963, no workers had received special adjustment assistance as provided under the act. Four groups of workers did petition the Tariff Commission for a determination but were turned down.

Summary

The services performed by the USES indicate clearly that it is more than a simple labor exchange. It is in the process of becoming a manpower agency concerned with the development and utilization of the nation's human resources. The USES's programs have been extended and refined in response to specific needs for employment services, either by particular groups or by the whole labor market. Except for the responsibilities assigned by law in the Social Security Act, ARA, MDTA, Public Works Acceleration Act, and the Trade Expansion Act, most of these changes have been made within the basic framework of the Wagner-Peyser Act. Thus, the demands of society have been the primary thrust in the evolution of the programs of the USES and its affiliated state agencies. Recent legislative assignments, especially those dealing with training activities, have broadened the scope of the Employment Service.

While the Employment Service has been expanding its employment and manpower services, it has had to deal with a number of important problems. Some of these stem from the very expansion of services; others, from its organizational structure and from the administration of the federal-state system of public employment offices. We have selected for discussion in the following chapter those problems which we consider to be among the more important ones.

V. Developing Problems and Issues

The USES faces a number of problems which suggest the need for a thoroughgoing reappraisal of its objectives, areas of service, structure, methods of operation, and performance. In addition, there is the question of relationships with large firms and other channels of hiring, notably private fee-charging agencies and college placement bureaus. Since we cannot undertake an exhaustive review of all of them, we selected for discussion several of the more outstanding problems.

For Whom Is the Employment Service Intended?

The critical question is: To whom should the Employment Service be available? Should it limit its placement activities only to the unemployed, or should it serve any legally qualified worker, employed or unemployed, who registers? There has never been any intention to limit the Employment Service to placing only unemployed workers. While the unemployed need service, in the aggregate they form a small, albeit important, part of the nation's manpower resources. If the Employment Service is to play a major role in labor market transactions, then it must serve actively both employed and unemployed.

Recent census data show how important it is that the Employment Service make its resources available to all workers desiring assistance. Unemployed workers account for about 20 percent of all new accessions in the labor force; new entrants or reentrants into the labor market, another 20 percent. The remaining 60 percent are workers changing from one job to another without any significant period of intervening unemployment. In concentrating solely on placing unemployed workers, the Employment Service would exclude many persons needing placement help.

There are potential dangers in serving the employed, but they are not sufficient reason for excluding them. If the Employment Service is too aggressive in placing employed workers, some of the employers might charge it with pirating. When the local office has employer orders but no qualified workers readily available for referral, it does recruit. However, in so doing, it must exercise utmost discretion. The employed worker may not want his current employer to know that he is seeking a change, or the prospective employer may not want to be charged openly with raiding another employer's work force, especially if both are located in the same community.

Another area which has generated considerable discussion and at the same time has affected the image of the public employment service is service to the special applicants—inexperienced young workers, older workers, and the physically handicapped. Aside from the priority for veterans, there is no law or regulation requiring *preferential placement* for special groups. The Employment Service has a legislative responsibility for offering *specialized services* to the young workers and the physically handicapped. The older worker program developed in response to community pressure. Promotional campaigns on behalf of special applicant groups imply that the Employment Service favors them. This is not the case. Special techniques are necessarily used to provide placement assistance to them.

Services to the special applicant groups have gradually tended to become special programs and activities with the result that the placement function has become fractionalized. At times, the local offices concerned with these special applicant groups may appear to neglect the majority of applicants — the mainstream group — who have no specific problems of age, handicap, or inexperience, but who are, for one reason or another, looking for jobs. Each local office must recognize that a group requiring a special type of service does not automatically warrant a separate program, or even a subprogram, within the placement service. The paramount criterion is that all job referrals be in line with the applicant's qualifications. Special techniques are intended only to make sure that this criterion is met. There must be a balanced program of services for all applicants, and the activities in behalf of special applicant groups must be closely integrated with the mainstream placement transactions. Failure to do so will strengthen the view, held by many hiring officials, that the public employment service is primarily concerned with disadvantaged segments of the labor force—the economically underprivileged or the occupationally less suitable worker.

The capability of the Employment Service to resolve the employment problems of these special applicant groups is limited. Their problems are not the sole responsibility of the Employment Service. These are community problems, and community resources must be involved in their resolution. The Employment Service can help through counseling, testing, and job development activities. It can work with other community groups, such as schools and community service groups, to enhance the employability of the special applicant groups.

To return to the question: To whom should the Employment Service be available? such fundamental changes have taken place in the nation's labor market during the last decade that almost everybody is a potential user of the Employment Service. The types of placements made by the USES between 1952 and 1962 dramatically reflect these changes (Table 8). Managerial and professional placements increased 187 percent, and clerical and sales went up 46 percent. Skilled workers rose 3 percent, and semiskilled increased 6 percent. Placements of unskilled workers dropped 25 percent. Data on different categories of service occupations have been available only since 1955; the figures between then and 1962 show that placements in service occupations, excluding domestic workers, increased 30 percent.

Today's labor market emphasizes brains, not hands. This trend will accelerate in the years ahead, presaging a need for radically overhauling personnel policies and practices. The proportion of staff specialists, engineers, scientists, technicians, and other highly skilled workers relative to total employment in industry has been steadily increasing, while the proportion of production workers has declined. According to Bureau of Labor Statistics data, between 1947 and 1962 employment in manufacturing increased nearly 10 percent, from 15.5 million to 16.9 million, while the number of production workers declined from 13 million to 12.5 million, a drop of 4 percent; nonproduction workers in manufacturing during this period increased from 2.5 million to 4.4 million, a whopping gain of 76 percent.

The implications of these labor market trends for the Employment Service are clear. The need for high talent manpower will demand greatly intensified work in counseling with special emphasis upon preparation for the "brain" jobs of the future. In conjunction with this, the Employment Service must strengthen its relationships with colleges, universities, and technical schools—educational institutions which must carry the major responsibility for equipping tomorrow's workers with the skills they will need to compete realistically in the labor market. This brings us to our next problem.

Relationships With Colleges and Universities

At the end of World War II, the Employment Service began to assist the increasing number of college students entering the labor market. Its basic objectives in doing so have been:

1. To render a better service to the number of college students seeking employment assistance.
2. To do a better job of supplementing the placement efforts of the educational institutions.
3. To provide an effective recruitment and selection method for on-campus employment.[1]

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[1] Carl F. Fryhling, "Youth Task Force: College Placement Phase," *Report of Second Meeting of Committee on Employment Service Programs and Operations, held in Washington, D. C., July 25-27, 1961* (Washington: Interstate Conference of Employment Security Agencies, 1961), p. 20.

The state employment services turned their attention to college campuses because they share the responsibility for meeting the nation's growing need for professional, technical, and managerial personnel. Employers, institutions of higher learning, and government—all have responsibilities to make optimum use of the nation's limited professional human resources. Educational institutions are among the important resources for such personnel. State employment services may recruit from all sources, including college campuses. Upon request, they supplement existing college placement services. Furthermore, they meet special needs.

Many small colleges and two-year institutions do not have placement services; nor do such schools attract many employer recruiters. There are many employers whose needs for professional personnel do not justify the expense of their visiting a number of colleges to do recruitment. Many of the students who need placement assistance receive little or no help. One placement director pointed out that even at a large university with a nationally recognized placement bureau some students seeking employment, either full-time or part-time or summer work, cannot be placed.[2] The approximately 1600 college placement bureaus in the nation do not serve all their graduates; they leave a large number to shift for themselves. Dropouts are not usually served.

The activities of state employment services on college campuses do not appear to be extensive. The USES sought information on the kinds of placement activities which state employment services or their local offices have arranged for university, college, or junior college students; dropouts; and graduates. A questionnaire was sent to the state agencies in January 1963 in an effort to obtain information on college placement activities. Data on the results were obtained from BES.[3] According to this survey, state affiliates maintained full- or part-time placement operations on 48 campuses. These affiliates reported that from September 1961 through August 1962 their placements of college students in all occupations totaled 39,369, of which 26,463 were permanent placements and 12,906 were short-time placements. Managerial and professional occupations accounted for 10,262 of the permanent placements.

The survey, however, does not cover the full extent of college placement activities. State employment services and local offices maintain active relationships with some colleges and universities but do not maintain full- or part-time placement operations on the campuses.

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[2] Interview by Daniel H. Kruger with John R. Kinney, Director of Placement Bureau, Michigan State University, East Lansing, Michigan.

[3] "Report of Students, Dropouts and Recent Graduates," *USES Program Letter No. 1387* (Washington: U.S. Department of Labor, Bureau of Employment Security, January 7, 1963).

A lack of understanding clearly exists between college placement officials and the Employment Service. The College Placement Council, working with the Chamber of Commerce of the United States, has been conducting a vigorous campaign against the Employment Service's activities. This campaign has been waged in national magazines and in letters to presidents of colleges and industrial firms. Among the objections raised are that Employment Service recruitment activities on campus encroach upon the private domain with "long-run implications of Federal control of employment of professional and nonprofessional personnel";[4] Employment Service personnel lack necessary qualifications; high quality in college placement requires personal interest in the student and close contact with the faculty, which can best be maintained by the college placement bureaus; the Employment Service threatens the very existence of college placement service; campus placement by the USES is a governmental intrusion which jeopardizes employer-college relationships developed through years of cooperation; and the Employment Service should limit its role to assisting "dropouts and unemployable graduates."[5]

The USES has sought to clarify the misunderstandings with college placement officials. In the summer of 1962, the first of several meetings of the regional presidents of the College Placement Council and USES officials was held in Washington to discuss their relationships. In addition, the USES prepared a statement on placement of professional personnel for guidance of state affiliates. It noted that since the universities and colleges are one of the most important recruitment sources for professional, technical, and managerial personnel, the Employment Service wants to establish cooperative working relationships with them in order "to do a more effective professional placement and simultaneously help in the task of aiding students about to enter the labor market to make a satisfactory transition from school to work."[6] Its employment services are made available to supplement existing placement activities when requested by college placement office and other officials.

Arthur S. Flemming, President of the University of Oregon, has aptly described the role of the USES in college placement activities, and his remarks summarize succinctly what we have been saying. It must, "in the interest of this nation, using its human resources in the most intelligent manner, continue its efforts to develop meaningful relationships with institutions of higher education in the placement area. . . . The USES should be concerned with the placement of college graduates . . . [the USES] has resources and facilities available that no college or university operating by itself has. The activities of the college placement offices and the USES are not an either-or proposition. It's a both-and proposition, and when the College Placement Council and the U. S. Chamber of Commerce try to put it in a frame of reference of being either-or, they are rendering a great disservice to the college graduate and to this nation." Further, he pointed out that if "you add together the resources of the best college placement office in the country and the resources of the USES, there is still need for additional resources if the right job is going to be done for the college graduate and for the nation in terms of utilization of our resources in an intelligent manner."[7]

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[4] "U. S. Employment Service Moves in on Colleges," *Nation's Business*, Vol. L, no. 6 (June 1962).

[5] *Loc. cit.*

[6] "Employment Service Assistance to Institutions of Higher Learning," attached to *U. S. Employment Service Program Letter No. 1369* (Washington: U. S. Department of Labor, Bureau of Employment Security, November 16, 1962), p. 1.

On September 25, 1963, the USES and the College Placement Council reached an accord which, while not eliminating all the differences, does provide the foundation for a working relationship.[8] The respective roles of each were clarified, and the Employment Service set forth ways in which it could assist college placement and recruitment.

Relationships With Private Employment Agencies

In expanding its services, the Employment Service is running into another source of organized opposition from the private fee-charging employment agencies and their national associations. The attack on the public employment service is being directed at members of Congress in order to bring about a cutback in employment service operations. These agencies have mushroomed in the last 20 years. Some observers think that this impressive growth reveals a fundamental weakness in the Employment Service or in what its local offices have to offer both workers and employers. Others assert that these agencies have grown in response to particular needs, namely locating for employers qualified workers in shortage occupations, such as engineers and secretaries, or in supplying babysitters and other part-time employees. Whatever the reasons, it is clear that an increasing number of people are willing to pay a job-finding and worker-finding service in preference to using the public employment service. We should take a hard look at the possible reasons for the growth of these fee-charging agencies. Is the Employment Service's participation in the nation's hiring transactions not keeping pace with the labor potential because of an unfavorable image, or is it a matter of employers and workers not being aware of its services?

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[7] *Proceedings of the 26th Annual Meeting of Interstate Conference Employment Security Agencies*, Portland, Oregon, October 1-3, 1962, address by Arthur S. Flemming, pp. 58-59.

[8] Letter of October 17, 1963, from Robert C. Goodwin, Administrator, BES, to John M. Brooks, President, College Placement Council Inc., and announcement of College Placement Council to its associates and employing organizations (no date).

No data on the volume of placements made by private agencies are available. The growth in their number does not properly measure their importance in the labor market. There are basic differences between the public and private agencies. The private agencies are interested in placement activities only, and are not restricted in their administrative and operating policies. They can refuse to consider applications from the hard-to-place job seekers and can go along with employers' prejudices about race and color. Furthermore, they can do "custom made" jobs by carefully selecting the workers and employers they choose to serve. Private fee-charging employment agencies render a service that the Employment Service cannot perform. They can skim off the cream of high-level, scarce, employer-financed placements. They do not have to serve the entire nation's labor force.

The Employment Service, on the other hand, furnishes a broad scope of services to the community, which we discussed in chapter IV. It is evident that the Employment Service is more responsive to public policies and manpower needs than the private fee-charging agencies. Its primary purpose is to meet the manpower needs of the community and to provide services essential to the maximum utilization of the nation's work force. Private fee-charging agencies meet manpower needs in order to make a profit. Some agencies, however, have been charged with shabby practices, such as taking advantage of workers by referring them to short-duration placements just to collect fees and sharing fees with employers. In 44 states the activities of these agencies are subject to regulation. Much of the regulation, however, is weak, with the result that abuses, according to Under Secretary of Labor John F. Henning, are "all too common."[9]

When the federal government established a national system of public employment offices, one might have predicted early death for the private fee-charging agency. Why should workers pay to get a job when they could get one through a public agency? Why would tax-conscious employers list job openings with fee-charging agencies when local employment offices maintain registration and placement services? Yet, the private fee-charging agencies have not only survived, but have grown and prospered. Between 1940 and 1958, they increased about 150 percent in 18 states (table 4). The Bureau of Census data also show a decided nationwide increase. These data cover all agencies in 48 states, not just those licensed under state laws, and show a rise from 2,231 in 1948 to 3,892 in 1958, a gain of almost 75 percent.

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[9] John F. Henning, address before 50th Annual Convention of the International Association of Personnel in Employment Security, July 2, 1963, Chicago, Illinois. For a discussion of state laws, see *State Laws Regulating Private Employment Agencies Bulletin 209* (Washington: U.S. Department of Labor, Bureau of Labor Standards, 1960), pp. 27-124, especially.

Along with the increasing number of licensed private fee-charging agencies, commercial manpower services such as Manpower Inc., and Kelly Girl Service have been established in recent years. These companies are, in a sense, labor brokers. Primarily, they perform office services on a contractual basis, with the personnel remaining on the agency's pay-

Table 4

Number of Private Employment Agencies in States Requiring Licensing 1940-1941 and 1958-1959

State	1940-41	1958-59	Percent Change
California	258	806	212.4
Colorado	17	103	505.9
Georgia	21	94	347.6
Hawaii	10	26	160.0
Iowa	20	25	25.0
Kansas	10	5	—50.0
Kentucky	7	29	314.3
Maryland	65	79	21.5
Michigan	93	227	123.1
Minnesota	25	91	264.0
Nebraska	13	29	146.2
New Jersey	156	178	14.1
New York	INA	1,304	——
Ohio	85	223	162.3
Oklahoma	11	40	263.6
Pennsylvania	207	432	108.7
Rhode Island	16	18	12.5
Texas	57	263	186.0
Wisconsin	6	15	150.0

Note: INA—Information not available.

Source: U.S. Department of Labor, Bureau of Labor Standards, *State Laws Regulating Private Employment Agencies*, Bulletin no. 209 (January 1960), p. 25.

roll. These firms are particularly effective in recruiting workers who are interested in part-time work. They offer employers the advantage of getting their office routines performed by qualified workers without putting the workers onto their payrolls, handling income taxes and Social Security taxes, bonding them when necessary, etc. The local franchises for these operations are awarded frequently by the companies to operators of already existing private fee-charging agencies. They appear to be legal employers. There is some question, at least in some states, as to whether the Employment Service should receive and fill job orders from such firms. Some states maintain that it would be against public policy for state employment services to cooperate with private fee-charging agencies since the public employment service operates on the principle that no worker or employer should be required to pay a fee to get a job.[10] The growth of such firms on the national scene poses a further problem for the Employment Service—what should be the relationship, if any, between the two, and exactly what role do these organizations play in the total hiring transactions in the labor market?

The activities of the private fee-charging agencies and labor brokers need critical examination. Existing legislation, as we noted, is very weak. Standards are needed, and state regulatory agencies should be strengthened so that they can actually police the intrastate private fee-charging agencies. Where such agencies operate in interstate commerce, they should be covered by federal regulations. All agencies should be required to file annual reports of their placement activities and their fee schedule with the state or federal regulatory agency.

Federalization Versus Federal-State System

It has been argued by some groups, notably the AFL-CIO, that many critical problems facing the Employment Service would be resolved if Congress would nationalize it. Such action has both advantages and disadvantages. On the plus side, a truly nationwide employment service would come into being with national direction and proper implementation at the state level. Cooperation among the states, especially in inter-area recruitment, would be assured. Local office operations would be more standardized, remedying the current uneven quality of performance among the states. There would be better control of new programs. One of the difficulties in evaluating the USES is that there are many different state systems operating under its banner. More standardized operation would make possible more meaningful evaluations and would provide for better cost control.

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[10] "Relations with Union and Other Non-Fee Charging Placement Agencies and with Private Fee-Charging Employment Agencies," *Report of First Meeting Committee on Employment Service Programs and Operations*, held in Washington, D. C., April 21-23, 1959 (Washington: Interstate Conference of Employment Security Agencies, 1959), p. 5.

The Employment Service operates under many different names in the states. In many states, the Employment Service operates in the Employment Security Commission; in some states, the Industrial Commission; and in still others, the Department of Labor and Industry. This in itself is confusing since many people do not understand what these agencies do. The public does know what an employment agency is. A national employment service would permit national advertising which would more clearly identify and define the employment service and help more effectively the large numbers of persons moving across state lines each year. A federal office would have labor market information readily available for the entire country.

Employment Service personnel would also improve because the generally higher federal salaries would attract better qualified staff. The salaries of many state agencies are too low to attract and retain competent staff. For example, in one of the central states, the employment service state director in charge of all district office operations has a monthly salary range of $600 to $803, while in another state the field supervisor range is $626 to $811. With such salaries, the state systems have lost many competent employees over the years. Some of the ablest employees have entered the federal service; private industry easily lured away others. Where state salaries, fringe benefits, and opportunities are significantly below those in the federal service and in private industry, progressive deterioration of the quality and performance of personnel is almost inevitable. Since many state administrators are appointed by governors, some observers believe that turnover in top administrative positions would be substantially reduced and that better management would result by filling those jobs from federal civil service rolls. Under a national system, needed personnel could easily move from state to state; centralized training activities would be better and more complete; and tax funds would be more equitably distributed.

Proponents argue that the emphasis on adequate military preparedness demands nationalization of the Employment Service so that it will be ready for national emergencies. During World War II, the federal government had to take over the operation of the Employment Service and did a highly effective job. Nationalization would probably permit better coordination of civil defense activities.

It is highly improbable that the present system will be scrapped and that each state will operate its own employment service. If that were to take place, the Federal Unemployment Tax Act would have to be repealed; each state would then levy its own tax and finance its own employment security agency. At no time, as far as we know, has the Interstate Conference of Employment Security Agencies, or any state agency, urged that serious consideration be given to repealing this act so that the states could proceed on their own to develop an independent employment service.

It is highly unlikely that any real support for an independent state system will develop in the immediate future. One hears complaints from the state administrators from time to time, but this is like a parlor game. They may commiserate with each other about the policymakers in Washington, growing bureaucracy, and the like, but are far from open revolt against the current system. One reason for the lack of enthusiasm for independent state systems is that some people fear the state legislatures would be less generous with administrative funds than the Congress has been. On the whole, state legislatures have not given much attention to their employment services. Furthermore, state employment service officials may not want to choose between less state money with more of their own control or more federal money with less control of their own.[11]

Current prospects for federalizing the system are dim. If the present Administration should press vigorously for such action, it would undoubtedly antagonize many members of Congress. This, in turn, would probably make it difficult to muster congressional support for the Administration's total legislative program. In the absence of federalization, strengthening the present system is essential.

There are sound reasons for maintaining the present system. In the words of a state employment service administrator who has worked under both systems, "Most of our successful employment service promotional programs have stemmed from the fact that they have become identified as state or local programs and not programs of a 'remote' federal bureau. . . . My experience has been that it is easier to achieve [this] local support under the Federal-state system than it is when requests for this support come from and are identified with a federal agency." He goes on to add, "I don't feel strongly on this point . . . it isn't the organization that counts, rather it's the people who run it. . . . If the right leadership is available in the public employment service, it will succeed under either system."[12]

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[11] Edison L. Bowers and William Papier, *The Employment Security Elephant*, presented at the Employment Security Conference of the Alabama Chapter of the International Association of Personnel in Employment Security on March 27, 1958 (University, Alabama: University of Alabama, 1958), mimeographed. A provocative discussion of the reasons why state agencies have not pressed vigorously for repeal of the Federal Unemployment Tax Act.

Another factor is the complexity of the country. Local labor markets differ. Each community and region is influenced by local practices which have to be considered in making any program effective. Such individualized community attention, it is maintained, can be best achieved through the federal-state system. One administrator summed it up: "I don't believe that it is economically feasible to design and supervise a program as complex as the Employment Service from the Washington level." He also pointed out, "there is nothing more frustrating than to be found out of conformity with some Federal regulation. . . ."[13]

In theory, the federal-state system offers a unique laboratory for experimentation, but to make the system work, the states must do a more effective job. If, however, the states show little interest in assuming the full responsibilities, the present system will, in all probability, give way to complete federalization—in fact, if not in statute. The type of system needed is but one aspect of the current discussions concerning the improvement of the Employment Service. Another important problem is the type of organization best suited for effective administration.

Separation of the Employment Service and Unemployment Compensation

The question of employment service organization and administration dates back to its inception (see chapter III for a full description). More recently the discussions center on separation of the employment service from the unemployment insurance system. The Executive Council of the AFL-CIO, in its resolution of June 29, 1961, urged a complete separation of the two —both at the federal and state levels. At a meeting of the Conference of Executives of Employment Security Agencies held in October 1961, a committee report, while lacking complete unanimity, advocated separation of the two functions. The subject has long been discussed within some agencies of the federal government, notably the Department of Labor; Department of Health, Education, and Welfare; and its predecessor, the Federal Security Agency. The Bureau of Employment Security for several years has been formulating plans for separation of the employment service and unemployment insurance operations in the large metropolitan areas. New arrangements were made during fiscal 1962 in most of the 55 largest cities in the country. These changes will be discussed later (see pp. 106-109). Therefore, the issue is one which may be in the process of resolution, at least in part.

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[12] Letter from an administrator in a western state to Daniel H. Kruger.

[13] Letter from an administrator in one of the Rocky Mountain states to Daniel H. Kruger.

To put the discussion in perspective, we shall briefly review the major considerations involved. The employment service and unemployment insurance programs were brought together in an integrated organization in 1939, primarily for the purpose of administering the "work test" for unemployment insurance so as to minimize improper payment of benefits. There were important advantages for the Employment Service through this arrangement. Better and more stable financing was available through Title III funds of the Social Security Act. Through the work test, it had access to a large group of applicants.

The Employment Service has, however, paid a price for integration. Its poor image is mainly the result of serving large numbers of unemployment insurance claimants. Local offices jammed with unemployed claimants were unattractive and probably discouraged many a nonclaimant from coming in for help. This condition has fostered the impression that the local public employment office is the "unemployment office." With such an image, the Employment Service lost the confidence of many prospective applicants and employers interested in skilled, professional, and technical workers. Furthermore, integration resulted in employment service personnel performing claims-taking and other unemployment insurance duties. Thus, when unemployment is rising, the local staff, instead of intensifying its efforts to find jobs and provide placement services, is busy processing the increased claims load. If the state unemployment insurance administrator does not provide temporary help for peak loads, the local office manager in an integrated office has no choice but to use employment service personnel.

Against this background, we shall summarize the arguments for and against the separation of employment service and unemployment insurance functions. Those presented here are a composite of discussions held with a number of federal and state administrators and reports of the Interstate Conference of Employment Security Agencies and the Bureau of Employment Security. Among the arguments advanced for separation are:

1. It would eliminate the stigma of being an unemployment office.
2. The Employment Service would have an opportunity to prove its own value.

3. Separate functions would attract better qualified personnel to each because of the ability to specialize. Both the Employment Service and Unemployment Insurance Service could concentrate more intensively on their respective responsibilities. The programs are becoming so complex that a high degree of proficiency can be obtained in only one area—either employment service or unemployment insurance. Even within each function, specialization exists.
4. The Employment Service is becoming increasingly involved in activities which are of little or no concern to unemployment insurance operations, for example: its programs for youth, older workers, and the handicapped; its training activities under ARA and MDTA; industrial development; counseling, testing, and professional placement; and dissemination of specialized labor market and occupational information.
5. The Employment Service is designed to provide assistance to both worker and employer. It cannot maintain such a role when it must enforce unemployment insurance regulations.
6. It would stop the borrowing of employment service personnel during peak unemployment insurance claim loads.
7. In many states, unemployment insurance operations dominate the employment security program with the result that state administrators do not give sufficient direction to employment service activities. In this connection, the observations of a state director of an employment service are noteworthy:

> I have observed, over the years, the appointment of politicians, many of whom are lawyers, to head the Bureaus of Employment Security in other states. They soon become involved in changes in the Unemployment Insurance Law, labor pressure for increased benefits or duration, unemployment insurance hearings and prompt payment of claims, to the extent that the employment service is largely ignored.[14]

Among the arguments advanced against separation are:

1. It is but one additional step towards federalization of the employment service and subsequently to a federalized unemployment insurance program.

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[14] Letter from a state employment service director in the Midwest to Daniel H. Kruger.

2. It will be more costly since additional personnel and facilities will be required.
3. With all the national emphasis on unemployment, "nothing should be done to weaken the agency which deals with unemployment."[15]
4. The unemployment insurance tax dollars should be used to assure that benefits are paid only to those qualified under the laws. This can best be achieved within an integrated organization because it provides a better opportunity for protecting and conserving unemployment insurance funds.
5. There will be "better employee morale, since frequently under a separate function, one unit is busy while the other is not. Inequitable distribution of work engenders dissatisfaction among personnel, particularly at claims itinerant points."[16]

It has been argued that separation should be only at the local office level because "little can be gained by separating administrative functions such as Research and Statistics, Training, etc."[17] This may be questioned. While the impact of unemployment insurance operations on the Employment Service is greatest in the local office, it also adversely affects the state administration. The Employment Service is concerned with areas of research which have nothing to do with the payment of benefits. Required operating statistics are entirely different in the two programs. There are significant differences in personnel requirements and training. The Unemployment Insurance Service uses claims takers, auditors, claims examiners, investigators, and lawyers; the Employment Service uses interviewers, counselors, occupational analysts, labor market specialists, and test administrators. The overriding reasons for separation of the two functions relate to creating an image of professional competence within the Employment Service. If separation is to be effective, it must occur at all levels of operations — federal, state, and local. Serious administrative difficulties would result from separation only at the local level.

Assuming that there are cogent reasons for separating the functions, both at the state and local levels, we must consider certain important legal and political aspects. Forty-five of the state unemployment insurance laws specifically provide for the inclusion of the employment service in the same agency which administers the unemployment insurance program. To effect separation in most of these states, if not in all of them, would require legislative action. Amending state laws would undoubtedly encounter many political difficulties. Employers and their organizations would probably oppose such action on the grounds that the "work test," that is, availability for work, would be weakened and many claimants would receive payments to which they were not entitled. State employment security administrators, likewise, may oppose this move in an effort to preserve their jurisdiction over both programs. It is almost axiomatic that administrators do not like to dismember their own organizations.

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[15] Lewis F. Nicolini, *et al., Separation of the Employment Service and Unemployment Insurance Functions: Is It Desirable?* (Williamsburg, Va.: Conference for Executives of Employment Security Agencies, October 19, 1961), p. 2.

[16] *Ibid.*, p. 1.

[17] *Ibid.*, p. 2.

Complete separation of these functions would also affect several federal agencies. Probably there would be some effort to place the unemployment insurance program in the same agency administering the old age survivors and disability insurance program. In 1935, when the Social Security Act was passed, the Bureau of Unemployment Compensation was established in the Social Security Board. In 1949 it was transferred to the Department of Labor where it was combined with the USES in a new bureau called the Bureau of Employment Security. If all social insurance programs are ever brought together into one single federal agency, the unemployment insurance activities would probably be transferred from the Bureau to that agency.[18]

Financing a separate employment service might present another set of problems. There is little doubt that it could have expanded in the 1930's without the administrative grants obtained as a result of the federal unemployment tax. We do not know whether the Employment Service could continue to be financed from unemployment tax revenues, except for the administration of the work test. Since all of its activities (e.g., youth, older worker, labor market information) are heavily weighted in the public interest, a strong case could be made for financing these activities from general tax revenues or for making some other arrangement (see pp. 114-116). Although separation would require more funds than an integrated organization, the expected results in service to the community would justify the increase in administrative costs.

Reorganization of the USES could probably resolve the existing problems within the Employment Service. In chapter VI, we shall discuss this reorganization and other pertinent problems affecting the Employment Service.

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[18] For a discussion of a comprehensive social insurance system, see, for example, Domenico Gagliordo, *American Social Insurance*, rev. ed. (New York: Harper & Brothers, 1955), especially pp. 635-37.

The Placement Record

From the standpoint of job placements — the heart and core of all local public employment office services—the record of the Employment Service has failed to keep pace with the growing labor force and expanding employment levels. Former Secretary of Labor Mitchell, speaking before the 1958 Annual Meeting of the Interstate Conference of Employment Security Agencies, stressed that "the Employment Service stands or falls upon its main purpose, placement, and that all subsidiary activities fail when placement fails."[19] He noted that there had been a steady decline in the activities of the Employment Service and that if it continues, the Service would affect so small a proportion of the nation's workers that it would become questionable whether the expense of maintaining it would be worth while. In his view, the public expects the Employment Service to do a better job than it has done.

What has been the placement record for the period 1952-62? Our attention here is on nonagricultural placements. As indicated in table 5, placements increased 224,000, a gain of 3 percent, while employees in nonagricultural establishments rose 13 percent during this period. If short-time placements—those of 3 or less days—are excluded, nonagricultural placements declined 5 percent. Excluding household workers, but including short-time placements, there was a gain of one percent. Finally, if both short-time placements and houseworkers are excluded, placements declined 11 percent.

Turning next to nonagricultural placements by industrial classification for the same period (table 6), we find that while total placements increased 3 percent, short-time placements increased 28 percent. Placements in construction declined 30 percent; placements in manufacturing declined 25 percent. Trade placements showed a gain of 22 percent, and household workers increased 13 percent. An impressive gain of 82 percent was registered by other service industry placements. All other placements declined six percent.

As indicated in table 7, 25.2 percent of the total placements in 1952 were short-time placements as compared with 31.2 percent in 1962. Placements in construction represented 10.2 percent of the 1952 total, but declined to 6.9 percent. The proportion of manufacturing placements dropped from 31 percent to 22.4 percent of the total in 1962. Trade rose

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[19] "Address to Interstate Conference of Employment Security Agencies," *Twenty-second Annual Meeting of the Interstate Conference of Employment Security Agencies Proceedings,* held in Chicago, October 6-9, 1958 (Chicago: Interstate Conference of Employment Security Agencies, 1958), p. 11.

Table 5

Trends in Placements by United States Employment Service, Employees in Nonagricultural Establishments, and Population Growth 1952-1962

(In thousands)

Item	1952	1954	1956	1958	1959	1960	1961	1962	Percent Difference	
									1952-62	1959-62
Nonagricultural placements (total)	6,501	5,158	6,085	5,126	6,097	5,818	5,902	6,725	+ 3	+10
Nonagricultural placements (excluding short-time)	4,863	3,617	4,317	3,515	4,255	4,005	4,072	4,630	— 5	+ 9
Nonagricultural placements (excluding household)	5,287	4,019	4,852	3,987	4,859	4,580	4,624	5,351	+ 1	+10
Nonagricultural placements (excluding short-time and household)	3,649	2,478	3,084	2,376	3,017	2,767	2,794	3,256	—11	+ 8
Employees in nonagricultural establishments	48,825	49,022	52,408	51,423	53,380	54,347	54,077	55,324	+13	+ 4
Population	156,309	161,690	167,513	173,533	176,447	179,386	182,312	185,290	+18	+ 5

Source: Placement data—*Key Facts, Employment Security Operations* (Washington: U.S. Department of Labor, Bureau of Employment Security, February 1963); employment data—*Employment and Earnings, Annual Supplement,* Vol. 8, no. 12 (June 1962), p. 1; population data—*Current Population Reports Population Estimates,* Series P-25, no. 263 (Washington: U.S. Department of Commerce, Bureau of the Census, March 15, 1963), p. 2.

Table 6

Number of Nonagricultural Placements by Industry in the United States[a] *1952-1962*

(In thousands)

Period	Total	Short-Time	Construction	Manufacturing	Trade	Service		All Other
						Household	Other	
1952......	6,501	1,638	661	2,017	1,300	1,214	628	681
1953......	6,295	1,711	571	1,943	1,282	1,233	641	624
1954......	5,158	1,541	459	1,371	1,092	1,139	592	506
1955......	6,052	1,739	525	1,709	1,297	1,215	692	614
1956......	6,085	1,768	501	1,613	1,340	1,233	751	647
1957......	5,724	1,715	432	1,432	1,270	1,217	773	600
1958......	5,126	1,611	402	1,186	1,132	1,139	727	540
1959......	6,097	1,842	476	1,545	1,335	1,238	891	612
1960......	5,818	1,813	409	1,330	1,271	1,238	916	654
1961......	5,902	1,830	414	1,303	1,350	1,278	938	620
1962......	6,725	2,095	463	1,509	1,581	1,374	1,143	638

[a] Includes Guam, Puerto Rico, and the Virgin Islands.

Source: Key Facts, Employment Security Operations (Washington: U.S. Department of Labor, Bureau of Employment Security, February 1963), p. 5.

Table 7

Percent of Nonagricultural Placements by Industry in the United States[a] *1952-1962*

Period	Short-Time	Construction	Manufacturing	Trade	Service		All Other
					Household	Other	
1952............	25.2	10.2	31.0	20.0	18.7	9.7	10.5
1953............	27.2	9.1	30.9	20.4	19.6	10.2	9.9
1954............	29.9	8.9	26.6	21.2	22.1	11.5	9.8
1955............	28.7	8.7	28.2	21.4	20.1	11.4	10.1
1956............	29.1	8.2	26.5	22.0	20.3	12.3	10.6
1957............	30.0	7.5	25.0	22.2	21.3	13.5	10.5
1958............	31.4	7.8	23.1	22.1	22.2	14.2	10.5
1959............	30.2	7.8	25.3	21.9	20.3	14.6	10.0
1960............	31.2	7.0	22.9	21.8	21.3	15.7	11.2
1961............	31.0	7.0	22.0	22.9	21.6	15.9	10.5
1962............	31.2	6.9	22.4	23.5	20.4	17.0	9.5

[a] Includes Guam, Puerto Rico, and the Virgin Islands.

Note: All totals do not add up to 100 percent because of rounding off.

Source: Key Facts, Employment Security Operations (Washington: U.S. Department of Labor, Bureau of Employment Security, February 1963).

from 20 percent of the total to 23.5 percent. Household workers also increased their share of placements from 18.7 percent in 1952 to 20.4 percent in 1962. As previously noted, other service industries showed the most impressive gains during this period, increasing from 9.7 percent to 17 percent of total placements. The proportion of all other placements dropped from 10.5 percent to 9.5 percent in this period.

Tables 8 and 9 show placements by occupations for 1952-62. The proportion of placements of unskilled workers declined from 40.3 percent to 29.3 percent in 1962. But when placements of day workers and unskilled workers are taken together, they still account for nearly 40 percent of all

Table 8

Number of Nonagricultural Placements by Occupation in the United States[a] *1952-1962*

(In thousands)

Period	Total	Professional and Managerial	Clerical and Sales	Service		Skilled	Semi-Skilled	Unskilled and Other	
				Total	Day Workers[b]			Total	Casual Workers[c]
1952......	6,501	83.1	749	1,820	—	370	858	2,620	—
1953......	6,295	85.4	728	1,828	—	329	829	2,495	—
1954......	5,158	93.2	677	1,642	—	289	645	1,812	—
1955......	6,052	103.4	804	1,802	629	330	836	2,177	492
1956......	6,085	116.9	848	1,876	636	331	830	2,084	465
1957......	5,724	131.7	817	1,843	598	303	774	1,854	429
1958......	5,126	135.5	766	1,677	536	298	673	1,577	361
1959......	6,097	152.7	886	1,911	590	343	869	1,934	426
1960......	5,818	171.7	916	1,917	569	311	761	1,742	381
1961......	5,902	197.4	935	1,948	579	351	769	1,702	369
1962......	6,725	238.5	1,090	2,139	612	382	907	1,968	412

[a] Includes Guam, Puerto Rico, and the Virgin Islands.

[b] A general term applied to employees, usually female, who work during the day and whose wages are paid by the day.

[c] Male workers employed irregularly either by the hour or by the day.

Source: Key Facts, Employment Security Operations (Washington: U.S. Department of Labor, Bureau of Employment Security, February 1963), p. 3.

placements in 1962. There was no change in the proportion of skilled workers placed and only a slight gain in semiskilled workers placed during the period — about 6 percent for the former and approximately 13 percent for the latter. Clerical and sales placements increased from nearly 12 percent to 16.2 percent of the total placements. Although the proportion is small, professional and managerial placements increased from 1.3 percent to 3.5 percent.

In the period 1952-62, total nonagricultural placements increased three percent, as we noted above. Former Secretary of Labor Mitchell's sharp criticisms of the Employment Service served a useful purpose in focusing national attention on the USES. Furthermore, Employment Service personnel were undoubtedly stimulated to improve placement activities. Placements rose from 5.1 million in 1958 to nearly 6.1 million in 1959, a significant increase of 19 percent. It should be noted that the economy

Table 9

Percent of Nonagricultural Placements by Occupation in the United States[a] *1952-1962*

Period	Professional and Managerial	Clerical and Sales	Service		Skilled	Semi-Skilled	Unskilled and Other	
			Total	Day Workers[b]			Total	Casual Workers[c]
1952......	1.3	11.5	28.0	—	5.7	13.2	40.3	—
1953......	1.4	11.6	29.0	—	5.2	13.2	39.6	—
1954......	1.8	13.1	31.8	—	5.6	12.5	35.1	—
1955......	1.7	13.3	29.8	10.4	5.5	13.8	36.0	8.1
1956......	1.9	13.9	30.8	10.5	5.4	13.6	34.3	7.6
1957......	2.3	14.3	32.2	10.4	5.3	13.5	32.4	7.5
1958......	2.6	14.9	32.7	10.5	5.8	13.1	30.8	7.0
1959......	2.5	14.5	31.3	9.7	5.6	14.3	31.7	7.0
1960......	3.0	15.7	32.9	9.8	5.3	13.1	29.9	6.6
1961......	3.3	15.8	33.0	9.8	5.9	13.0	28.8	6.3
1962......	3.5	16.2	31.8	9.1	5.7	13.5	29.3	6.1

[a] Includes Guam, Puerto Rico, and the Virgin Islands.

[b] A general term applied to employees, usually female, who work during the day and whose wages are paid by the day.

[c] Male workers employed irregularly either by the hour or by the day.

Note: All totals do not add up to 100 percent because of rounding off.

Source: *Key Facts, Employment Security Operations* (Washington: U.S. Department of Labor, Bureau of Employment Security, February 1963), p. 3.

in 1959 was pulling out of the 1958 recession — an important fact contributing to the improved placement record. In 1960 placements declined about five percent; they increased slightly in 1961. A new high was reached in 1962 when 6.7 million placements were made. This was the highest number of placements since 1945 when 9.8 million nonagricultural placements were made. Between 1959 and 1962 placements increased 10 percent, whereas nonfarm employment rose 4 percent. The data indicate that in recent years the placement record has been improving.

While the number of placements for professional, technical, and skilled workers has increased substantially in the last decade, the Employment Service has placed only an insignificant proportion of such workers. There are, however, reasons why job placements of more highly skilled workers have not increased to a greater extent.

The index of placement potential is not entirely related to the growth in employment. Stability of employment transactions is also an important factor. Most of the hiring transactions result from labor turnover—the need to obtain replacements—yet, in recent years, there has been a substantial decline in labor turnover. Union seniority arrangements, home ownership, and pension plans, to mention only a few, have contributed to the decline of both separation and accession rates. This has resulted in the reduction of placement potential.

Further, the large increases in employment have been in industries where the Employment Service has had few placements. Government employment, much of which is carried out through civil service, has increased 39 percent since 1952. Construction employment increased two percent; here, the traditional hiring arrangements are through the unions. In other industries with expanding employment opportunities for clerical, sales, and service workers, the Employment Service has been improving its placement record. Placements of professional and managerial workers have also increased. The white-collar workers have generally shunned the Employment Service—they looked upon it as a "last resort." This view, however, is in the process of being changed as more workers go to the Employment Service for placement assistance.

As to the kinds of placements made, one explanation may be the special programs of the Employment Service for hard-to-place workers. A public agency cannot avoid meeting the employment needs of those who are most disadvantaged in seeking work. In many instances, the handicapped, older workers, new and inexperienced workers, and minority groups depend upon the Employment Service for aid in job finding. The emphasis given to serving these workers may have had an adverse effect on providing placement assistance to other workers. Second, the kinds of placements may have been the unintentional result of the budget process which enabled the local office to "make money" on unskilled placements. The mechanics of this arrangement will be discussed in the next section.

In evaluating the Employment Service placement, it must be recognized that the placement record standing alone does not tell the whole story. Workers may have received valuable job assistance from the local office which led to their finding a job on their own, i.e., they may have obtained information as to where to look for a job. Furthermore, other channels of hiring must be considered. Private fee-charging agencies and commercial manpower services have grown significantly. College placement bureaus and high school placement services are serving large numbers of job applicants. Employers still use newspaper ads and do their hiring at the gate. Not all employers use the local public employment office. Of the 2.8 million nonfarm establishments in the United States, only 30 percent, 851,000, used the Employment Service in 1960. Of the 220,000 major market employers in the nation — the largest employers in the community — 146,700, or 66 percent, were Employment Service users.[20]

Employer use of the USES in recruitment has been shown in a study by Spriegel and James.[21] In 1940, 6 percent of the 231 national firms surveyed used the USES; in 1953, 58 percent of the 780 firms; and in 1957, 42 percent of the 852 firms. The relative importance of all sources of recruitment of the firms in 1957 is shown in table 10. Foremen, employees, and friends were by far the most frequently used channels of hiring. Less than half used schools and colleges. More employers used the USES than the private fee-charging agencies, although the difference was not great. Only six percent of the firms used the union.

Much more analysis than a review of the national placement figures, however, is needed to obtain a meaningful understanding of the Employment Service activities and of the extent to which it participates in labor market transactions. In a nationwide system, sharp differences are bound to occur among the state employment services in availability of employment opportunities, hiring transactions in the various labor markets, and

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[20] *Minutes of the National Executive Committee Meeting,* held in Washington, D. C., September 28-30, 1961 (Washington: Interstate Conference of Employment Security Agencies, 1961), p. 25.

[21] William R. Spriegel and Virgil A. James, "Trends in Recruitment and Selection Practices," *Personnel* (New York: American Management Association, November-December 1958), pp. 42-48.

Table 10

Comparative Use of Potential Sources of Recruitment by Employers

1957

Source	Yes		No		No Answer	
	Number	Percent	Number	Percent	Number	Percent
United States or State Employment Service	359	42.1	316	37.1	177	20.8
Schools and colleges	410	48.1	215	25.2	227	26.7
Private fee agencies	300	35.2	409	48.0	143	16.8
Labor unions	51	6.0	759	89.1	42	4.9
Foremen, employees, friends, and other miscellaneous sources	695	81.6	118	13.8	39	4.6

Source: William R. Spriegel and Virgil A. James, "Trends in Recruitment and Selection Practices," *Personnel* (New York: American Management Association, November-December 1958), p. 45.

in placement activities. Therefore, it is important to analyze local office activities in relation to the labor market conditions of the area served.

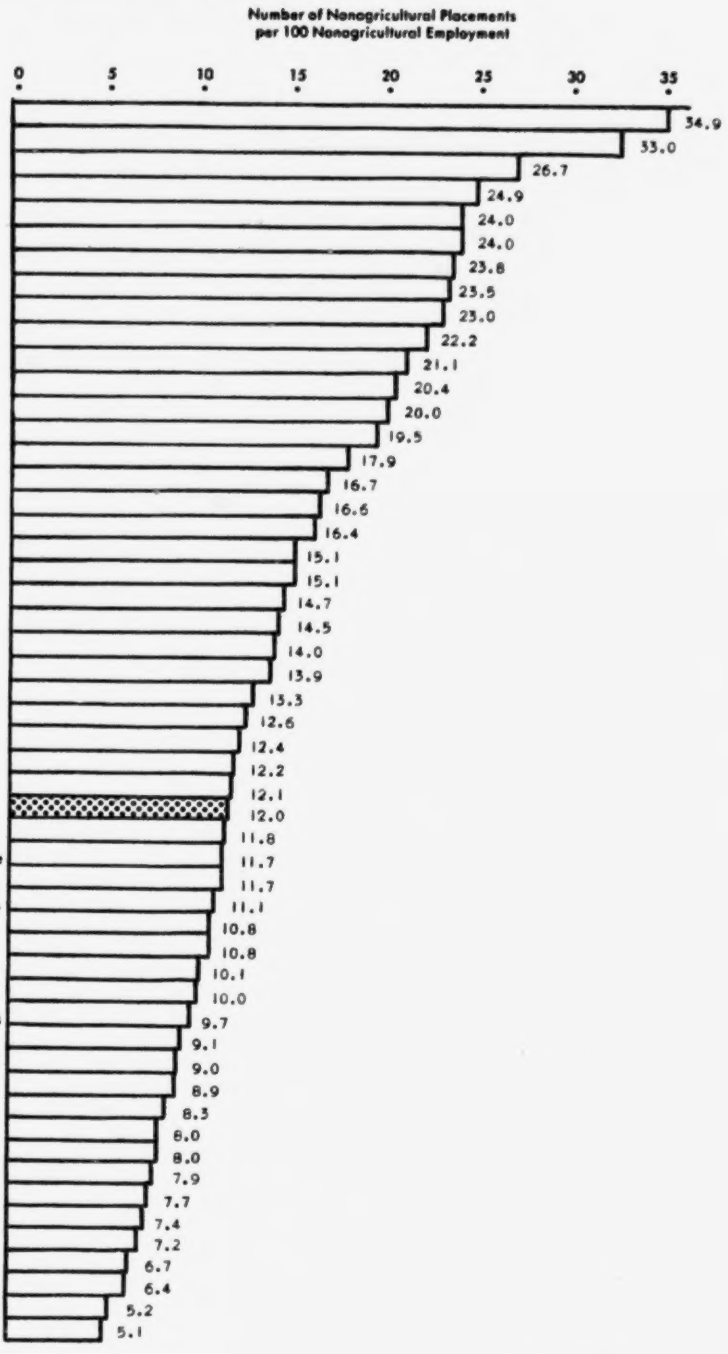
State employment services vary markedly in their effectiveness and public acceptance (see chart 2). The 1947-60 variations in placements for the states and territories range from a decrease of 52.8 percent (Alabama) to an increase of 92 percent (Arizona). Twenty-five showed an increase; 27, a decrease. Information was not available for Puerto Rico. Total national placements increased 1.1 percent during these years.

Chart 2 also gives a rough measure of placement penetration as indicated by the number of nonagricultural placements per 100 nonagricultural employees for each state for fiscal year 1960. The penetration rate varied from 5.1 percent (Delaware) to 34.9 percent (Nevada). The rate for the nation as a whole was 12 percent. There were 23 jurisdictions below and 29 above the national placement penetration rate. This is only a rough measure of penetration, as there are significant variations in turnover and types of placements made in the states.

These comparisons must be used cautiously. In some instances, the placement penetration was high in 1947; therefore, the possible increase in placement penetration in 1960 was rather limited. Such comparisons must be viewed jointly with the states' budgets and their actual workloads. Budgeting will be discussed in the next section.

Chart 2

Comparison by State of Percentage Population Change and Percentage Placement Change, 1947 to 1960, and of Labor Market Placement Participation During Fiscal Year 1960



Percent Change 1947-60			Number of Nonagricultural Placements per 100 Nonagricultural Employment
Population	Regular Placements	State	
+ 95.0	+ 50.4	Nevada	34.9
+ 29.4	+ 14.1	Idaho	33.0
+ 96.2	+ 92.0	Arizona	26.7
+ 4.0	+ 5.3	Mississippi	24.9
+ 7.2	- 31.7	Oklahoma	24.0
+ 31.8	+ 29.6	Montana	24.0
+ 12.0	+ 31.1	N. Dakota	23.8
+ 15.5	+ 4.1	S. Dakota	23.5
+ 39.4	+ 21.7	Colorado	23.0
- 5.4	- 28.2	Arkansas	22.2
+ 31.1	- 3.2	Texas	21.1
+ 25.6	+ 18.6	Wyoming	20.4
+ 55.2	- 13.7	New Mexico	20.0
+ 16.4	+ 47.0	Nebraska	19.5
+ 41.5	+ 35.3	Utah	17.9
+ 95.5	+ 38.1	Florida	16.7
+ 16.7	- 4.0	Kansas	16.6
+ 32.2	- 2.9	Oregon	16.4
+ 21.9	+ 35.0	N. Carolina	15.1
+ 23.0	- 17.9	S. Carolina	15.1
+ 12.9	- 8.1	Iowa	14.7
+ 22.9	+ 37.1	New York	14.5
INA	- 19.6	Alaska	14.0
INA	INA	Puerto Rico	13.9
+ 11.5	- 25.5	Tennessee	13.3
+ 23.4	- 17.7	Minnesota	12.6
+ 18.7	+ 1.6	Georgia	12.4
+ 9.2	- 52.8	Alabama	12.2
+ 5.5	- 9.2	Vermont	12.1
+ 24.8	+ 1.1	National	12.0
+ 30.0	- .9	Washington	11.8
+ 18.2	+ 6.1	New Hampshire	11.7
+ 52.9	+ 1.3	California	11.7
- 5.8	- 9.5	Dist. of Col.	11.1
+ 24.6	+ 11.6	Connecticut	10.8
+ 25.2	+ 3.0	Wisconsin	10.8
+ 23.6	- 10.0	Louisiana	10.1
INA	+ 52.7	Hawaii	10.0
+ 8.8	+ 29.0	Massachusetts	9.7
+ 12.5	+ 29.0	Kentucky	9.1
+ 13.8	+ 13.7	Rhode Island	9.0
+ 12.0	- 52.0	Maine	8.9
+ 26.8	- 8.5	Virginia	8.3
+ 11.9	- 4.4	Pennsylvania	8.0
+ 28.0	- 26.6	Ohio	8.0
+ 24.2	+ 12.6	Illinois	7.9
+ 33.6	- 10.0	Michigan	7.7
+ 11.2	- 17.3	Missouri	7.4
+ 23.9	- 1.5	New Jersey	7.2
+ 37.6	- 9.6	Maryland	6.7
+ 24.6	- 26.7	Indiana	6.4
+ 4.8	- 45.1	West Virginia	5.2
+ 52.8	- 43.5	Delaware	5.1

Note: INA—Information not available.

Source: *Report of Second Meeting, Committee on Employment Service Programs and Operations,* Interstate Conference of Employment Security Agencies, Washington, D.C., July 26-28, 1960.

Budget and Staff

We have already referred to the effect that the USES budget has on its services. There is constant criticism that the Employment Service is underfinanced and consequently understaffed. Local offices are urged to set goals for their activities, yet the budgeting and control of staff resources made available to the states hamper this very goal setting. For example, in periods of peak unemployment, the 1953 study of administrative costs showed that Employment Service staffs customarily had to take claims and thus could not devote much time to other operations.[22]

The kinds of placements made also affected the size of the administrative grants and consequently the size of the staff. During the years 1948-1954, short-time placements, which can be made with little effort, increased sharply. Permanent placements accounted for a smaller and smaller share of the total. This trend had significant implications for staffing since the size of administrative grants depended largely on the time expenditure reporting system and workloads. Under this system, agency personnel recorded the amount of time they spent on each task. From this information, time per unit of workload was derived. States were generally allowed their actual experienced unit time or a maximum set by the federal Bureau of Employment Security, whichever was lower.

By fiscal year 1954, the overall average placement time factor dropped from 71.9 minutes per unit to 56.3 minutes per unit. Staff declined accordingly. Between 1948 and 1954, the USES lost 2,068 positions, a 13 percent cut in staff. In fiscal year 1954, several appropriation cuts reduced the staff by another 2,062 positions. Short-time placements continued to rise, while permanent ones declined. The USES was caught in what appeared to be a vicious cycle. Staff spent more time on short-time placements, which resulted in reduction of staff. The smaller staff was inadequate to do more than short-time placements. Local offices were being squeezed; consequently, they apparently took the easy route — making short-time placements.

Corrective action had to be taken to halt the attrition of Employment Service staff caused by the budget process and types of workloads. Furthermore, the USES started emphasizing more placements in professional, clerical and sales, skilled and semiskilled jobs. With the approval of the Bureau of the Budget in 1956, the Bureau of Employment Security introduced a new budget formula which established standard unit time allowances at levels designed to permit an operation of standard quality throughout the system. It also allowed variations in costs among placements according to the five occupational categories: (1) professional and clerical, (2) service (except day work), (3) skilled and semiskilled, (4) unskilled (except casual), and (5) day work and casual. Since its inception, the standard unit time allowance formula has been raised slightly. For fiscal years 1959 and 1960, the following units were used:

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[22] *Study of Administrative Costs of Changes in State Employment Security Laws, Fiscal Years 1948-1952* (Washington: U. S. Department of Labor, Bureau of Employment Security, January 15, 1953).

Professional and clerical	162.9 minutes per unit
Skilled and semiskilled	95.1 minutes per unit
Unskilled (except casual)	52.7 minutes per unit
Service (except day work)	74.7 minutes per unit
Day work and casual	22.8 minutes per unit

These five standards differentiated the complexity of each of these types of placements. The higher allowances for professional and skilled placements were an incentive to make such placements.

Also, improvements in the administration and use of the contingency fund made it easier for state agencies to obtain funds for temporary personnel to meet peak claim loads and thus minimized the diverting of Employment Service staff away from their job duties. Congress established the contingency principle to begin in fiscal 1950. In addition to the basic appropriation, it provided for a contingency appropriation which varied from 5 to 10 percent of the basic appropriation during the 4 fiscal years 1950-53. These funds are available to the states under specifications laid down by Congress in the appropriation acts. Generally speaking, these increased costs are due to: (1) workloads, (2) changes in state laws, and (3) changes in state salary rates. The contingency method provided greater flexibility in budgetary operations; adjustments required by the above factors could be made more easily.

The data on placements between 1955 and 1962 do suggest that the objective of achieving greater emphasis on professional, clerical, skilled, and semiskilled occupations is being realized. Professional placements increased about 130 percent; clerical and sales, 36 percent; service ocupations, excluding day workers, 30 percent; and skilled workers, 16 percent. Placements of semiskilled workers rose 8 percent, and unskilled workers dropped approximately 10 percent. Placements of both day and casual workers dropped two percent.

While results may have been effected, the formula has important shortcomings. The standard time factor for placing a salesgirl in a dimestore is the same as for a mechanical engineer. The "price" for a short-time placement (three or fewer days) is the same as for a permanent placement. Short-time placements are usually easier to make, yet the states get the same allowance as for permanent ones. By emphasizing short-time placements, local offices can get more money. Proponents of keeping the time factors for both types of placements equal maintain that the staff devotes the time it saves on short-time placements to other services, such as placing the special applicant groups. In other words, the short-time placements finance other employment services. By using the savings accrued through such placements for promotion of other services, these same advocates maintain that the volume of permanent placements would increase.[23] Such financing, however, may encourage perfunctory activities (for example, in the industrial services program) merely to justify available staff. We would argue that instead of using these savings to finance "hard-to-place" job applicants or other employment services, these services should be adequately financed on their own.

The short-time placements have taken on undue importance. This may be due to a defect in the budget formula. Funds allowed for other related placement services are directly proportional to the volume of actual placement time. Thus, as the volume rises, promotional activities increase; when placement lags, these activities drop off. We strongly urge that related employment services be increased when placements drop so that the placement record can be improved. This suggests the need for a change in the method of financing these promotional activities, especially for periods of high unemployment.

There is still another criticism of the formula. In essence, placement activities are compensated as piece work with all of its shortcomings. Employees in industry operating under piece work have found innumerable ways of "beating the system," such as slowing their motions when being timed, developing shortcuts, and increasing their efficiency. State employees undoubtedly have found such ways. While the Bureau of Employment Security employs cost accounting methods, it would appear that its objective of paying for each product only as much as it costs has not been fully achieved. Furthermore, the piece-work approach tends to emphasize piling up "tally marks" rather than effectively serving the community.

Further criticism of the formula is that the allocations to the states provide little room for future improvement. Past experience is a decisive measure in allocating funds. Recently, BES has taken steps to recapture the basic budget funds allocated which are not fully justified by work accomplished. In opposition, the Interstate Conference of Employment Security Agencies has stated, "it is essential to proper state planning and operation of the employment security program that the state's basic budget allocation for a given year be treated as a firm agreement . . . not subject to recapture . . . "[24] It contends that recapturing these funds would create serious personnel problems in the states. Local offices that have set certain goals for themselves may not be able to realize them if necessary staff is unavailable.

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[23] *Report of First Meeting of Committee on Employment Service Programs and Operations,* held in Washington, D. C., April 21-23, 1959 (Washington: Interstate Conference of Employment Security Agencies), p. 6.

There is another problem in the budget allocation. The objectives of both the industrial services and placement activities seem to be inconsistent with the budget formula. States receive allocations in proportion to their past workloads, an arrangement which often penalizes a state agency for doing a good job. For example, the Employment Service provides to employers industrial services which are designed to cut down turnover and absenteeism and to improve their personnel techniques. If these are applied properly, they can help stabilize employment—they can keep the man on the job, working at his best skill. The very success of this personnel program could cut down the number of placements and leave the agency with a diminished workload to report. Consequently, its allocation would be adversely affected. Similarly, placing well-qualified job applicants may also reduce turnover, which in turn can affect the placement potential of local offices.

The budget has also affected staffing patterns. From 1947 to 1960, Employment Service staff declined from 12,124 to 10,460, a loss of 14 percent. (Personnel are budgeted on the basis of man-years; for our purposes, we have used man-year to mean one individual employed for one year.) During the same period, the nation's civilian labor force increased 17 percent. In fiscal 1961, Congress made additional funds available to strengthen the Employment Service staff by 2,500. Again in fiscal 1962, it provided funds to increase the staff by another 1,300. For fiscal 1963, the Employment Service requested funds for 2,315 additional personnel. With the national emphasis on manpower development and utilization, these staff resources are needed.

The allocation of staff is affected by the number of local offices, their staffs, and the size of staff at the state offices. In June 1960, the USES and its affiliated state agencies had over 1,800 local offices. There are three

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[24] *Minutes of the National Executive Committee Meeting,* held in Washington, D. C., March 13-15, 1962 (Washington: Interstate Conference of Employment Security Agencies, 1962), p. 26.

Table 11

Distribution of Local Offices of the Public Employment Service, by State and Number of Employees June 1960

State	Population[a] (thousands)	Offices (total no.)	Size of Office by Number of Employees					
			1-10	11-20	21-40	41-60	61-100	101 and over
United States	179,977	1,836	1,065	392	217	96	49	17
Percent		(100)	(58.0)	(21.4)	(11.8)	(5.2)	(2.7)	(.9)
Alabama	3,273	37	28	6	1	2	—	—
Alaska	228	7	5	1	1	—	—	—
Arizona	1,318	33	26	4	2	—	1	—
Arkansas[b]	1,788	30	22	6	1	1	—	—
California	15,850	155	87	24	19	11	14	—
Colorado	1,758	32	28	2	1	—	—	1
Connecticut	2,548	27	8	13	3	—	3	—
Delaware	449	3	2	—	1	—	—	—
District of Columbia	762	7	1	4	1	1	—	—
Florida	5,000	37	21	7	6	2	1	—
Georgia	3,949	35	24	6	4	—	1	—
Guam	67	1	1	—	—	—	—	—
Hawaii	642	5	4	—	—	1	—	—
Idaho	671	27	19	7	1	—	—	—
Illinois	10,113	59	8	31	12	6	2	—
Indiana	4,677	31	16	9	3	2	1	—
Iowa	2,761	35	28	5	1	1	—	—
Kansas	2,178	31	21	6	2	1	1	—
Kentucky	3,047	26	14	10	1	—	1	—
Louisiana	3,270	23	14	4	4	—	1	—
Maine	974	14	9	2	3	—	—	—
Maryland	3,116	20	12	7	—	—	—	1
Massachusetts	5,167	42	9	18	9	4	1	1
Michigan	7,848	73	44	6	11	11	1	—
Minnesota	3,426	35	30	2	1	—	1	1

Mississippi	2,180	34	24	9	1	—	—	—
Missouri	4,331	36	25	7	2	—	—	2
Montana	678	23	18	4	1	—	—	—
Nebraska	1,414	15	12	1	1	1	—	—
Nevada	288	10	8	—	2	—	—	—
New Hampshire	609	10	6	3	1	—	—	—
New Jersey	6,099	39	4	17	7	9	2	—
New Mexico	958	20	18	1	1	—	—	—
New York	16,827	123	40	28	24	19	5	7
North Carolina	4,563	54	40	8	6	—	—	—
North Dakota	634	15	12	3	—	—	—	—
Ohio	9,739	78	42	18	8	3	5	2
Oklahoma	2,333	29	20	4	4	1	—	—
Oregon	1,773	47	39	5	2	—	1	—
Pennsylvania	11,343	111	30	36	33	10	2	—
Puerto Rico	2,349	10	—	4	4	2	—	—
Rhode Island	857	13	9	1	2	—	1	—
South Carolina	2,392	30	24	2	4	—	—	—
South Dakota	682	16	14	2	—	—	—	—
Tennessee	3,573	44	37	3	1	3	—	—
Texas	9,617	91	50	22	14	3	2	—
Utah	896	13	10	—	2	—	1	—
Vermont	391	12	11	1	—	—	—	—
Virginia	3,978	35	28	5	1	1	—	—
Virgin Islands	32	2	2	—	—	—	—	—
Washington	2,860	32	16	11	2	1	1	1
West Virginia	1,857	25	19	4	2	—	—	—
Wisconsin[c]	3,964	30	12	13	4	—	—	1
Wyoming	332	14	14	—	—	—	—	—

[a] As of July 1, 1960.

[b] Combined report, Springdale and Fayetteville.

[c] Combined report, Milwaukee, 3 offices.

Note: These are provisional figures from Series P-25, no. 239 (Bureau of the Census, December 13, 1961). For final figures, see Series P-25, no. 258 (Bureau of the Census, November 21, 1962).

Source: Bureau of Employment Security; population data, Bureau of the Census.

types of offices: (1) year-round, operating full time 12 months a year; (2) seasonal, operating on a recurring basis for approximately the same period or periods during each year; and (3) temporary, affected by circumstances which are not seasonal in nature and operating full time for a period less than 12 months. These offices, for the most part, have a dual purpose in that they house both the unemployment and employment service activities of the employment security program. Nearly three-fifths (1,065) of these were staffed with 10 or less people (see table 11). About one-fifth (392) had 11 to 20 employees. Another one-fifth (379) had 21 or more employees, of which about 12 percent (217) had 21 to 40 employees; five percent (96) had 41 to 60 employees; 3 percent (49), 61 to 100 employees; and about 1 percent (17) had more than 100 employees. New York had seven of these very large offices.

We have noted that 3 out of every 5 local offices in 1960 were small, employing 10 or fewer people. It is estimated that half of these offices had five or fewer employees. (This estimate is based on data which the Bureau of Employment Security collected in 1958 on the number of personnel in each local office. At that time 566 local offices had 5 or fewer employees.) As noted, most of the offices provided dual services—employment service and unemployment insurance. If those staff members who devoted full time to unemployment insurance matters had been excluded, the staff available for direct employment services would have been even smaller. If the 10,460 persons involved in direct employment services in 1960 were allocated among the 1,836 local offices, the average employment service staff would be about 6 persons. Assuming that the 1,065 small offices, on the average, had three full-time employment service staff members, the other 771 local offices would have an average employment service staff of about 10. From this we might conclude that there were too many small offices, resulting in a maldistribution of scarce staff. With such small staffs in so many local offices, it does not seem likely that all 1,836 local offices can become the manpower centers of their respective communities, supplying the full complement of employment services. In some instances, the state agency could combine several small offices into a regional office so as to provide more extensive services. With improvements in highways, this arrangement should be feasible and would permit more effective use of staff.

Returning to table 11, we note that the distribution of local offices by states reflects population and geographical differences, as well as perhaps political considerations, such as locating an office in the hometown of an important legislator. About one-third of all local offices are in six states having roughly two-fifths of the nation's population. California has the largest number; New York, Pennsylvania, Texas, Ohio, and Michigan follow in that order.

The number of offices per state apparently reflects less on population than on geography and other considerations, e.g,, political. Indiana has more than double the population of Kansas, but both have the same number of offices. Oregon has 47 local offices for 1.8 million people, while Colorado has 31 offices for about the same population. Arkansas with less than half of the population of Wisconsin has the same number of offices as Wisconsin. Idaho has 27 offices for 671,000, while Connecticut has 27 offices for 2.5 million. Louisiana has about 5 times the population of Montana, but both have 23 offices. Illinois has roughly 10 million population, but only 59 offices, whereas Michigan has 73 offices for about 8 million.

Under the provisions of Section 302 of the Social Security Act, as amended, and Section 5 of the Wagner-Peyser Act, the Secretary of Labor is responsible for allocating to each jurisdiction the funds necessary for the proper and efficient administration of its employment security program. The congressional appropriations cover the cost of general administration of unemployment insurance, employment service and farm placement programs, staff functions, and nonpersonal services necessary to support program operations. In addition, separate allowances are made on a specific state-by-state basis for starting new programs, financing demonstration projects, and special studies.

Allocation of administrative funds is not an exact science.[25] The very nature of the federal-state relationship and the differences in state laws relating to covered employers, proportion of covered workers, wages in covered employment, benefit formulas, experience rating systems, hours of work, methods of operation and compensation, and classification plans of state agency personnel make the annual allocation of funds extremely difficult. This allocation is always the subject of considerable discussion among BES personnel and state administrators. At almost every meeting of the National Executive Committee of the Interstate Conference of Employment Security Agencies, the subject of financing and budgeting receives attention.

Equitable distribution of tax funds to the states is a perennial problem. As one state administrator put it, "I am sure a more equitable system of

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[25] *Employment Security Review*, Vol. XXIV, no. 11 (November 1957). The entire issue is devoted to discussion of the "Vital Role of the Budget," including the allocation of funds to state agencies and workload concepts.

Table 12

Estimated Federal Unemployment Tax Receipts and Federal Funds Allocated to States for Administration During Fiscal Year 1961 and Ratio of Funds Allocated to Tax Collections, by Selected Fiscal Years

(Dollar amounts in thousands)

State	Federal Unemployment Tax Collections, 1961	Federal Funds Allocated to States, 1961 (incl. postage)	Ratio of Funds Allocated to Tax Collections by Fiscal Years			
			1961	1960	1959	1954
United States	$343,284	$373,054	108.7	94.3	98.0	72.4
Alabama	4,207	4,749	112.9	103.1	107.3	85.4
Alaska	401	1,500	374.2	367.5	342.2	197.5
Arizona	2,127	4,293	201.8	191.4	198.3	165.0
Arkansas	1,880	3,602	191.6	178.1	211.5	145.7
California	34,474	44,066	127.8	99.0	105.5	91.7
Colorado	3,005	3,458	115.1	107.3	112.5	82.1
Connecticut	6,526	6,044	92.6	79.0	95.7	54.5
Delaware	1,120	850	75.9	69.3	67.4	54.6
Dist. of Columbia	1,892	3,141	166.0	137.9	156.7	82.3
Florida	7,525	6,837	90.9	83.7	87.2	82.1
Georgia	5,870	4,873	83.0	75.7	80.5	71.4
Hawaii	1,192	1,152	96.6	96.2	113.2	100.0
Idaho	879	2,202	250.5	234.0	389.6	162.5
Illinois	23,875	16,190	67.8	60.6	64.5	44.7
Indiana	9,735	6,205	63.7	53.8	63.4	40.4
Iowa	3,769	3,390	89.9	78.9	80.4	54.7
Kansas	2,927	2,620	89.5	82.2	80.8	56.0
Kentucky	3,663	4,099	111.9	102.9	107.4	72.3
Louisiana	4,491	4,719	105.1	89.1	85.3	76.9
Maine	1,589	1,819	114.5	101.4	109.6	74.4
Maryland	5,568	6,456	116.0	103.9	101.0	75.9
Massachusetts	12,291	13,767	112.0	99.6	104.5	85.7
Michigan	16,275	18,141	111.5	95.3	96.6	55.8
Minnesota	5,671	4,979	87.8	85.3	87.1	70.9
Mississippi	2,016	3,744	185.7	163.3	169.6	146.4
Missouri	8,230	6,615	80.4	69.3	69.8	52.0
Montana	891	1,831	205.5	190.2	199.9	141.2
Nebraska	1,904	1,608	84.5	81.9	80.3	62.5
Nevada	744	1,531	205.8	181.4	172.6	143.5
New Hampshire	1,232	1,409	114.4	106.5	115.2	101.4
New Jersey	14,064	14,383	102.3	91.7	93.1	78.6
New Mexico	1,336	2,241	167.8	148.7	145.8	126.3
New York	42,325	53,741	127.0	114.5	108.7	83.8

Table 12 (continued)

State	Federal Unemployment Tax Collections, 1961	Federal Funds Allocated to States, 1961 (incl. postage)	Ratio of Funds Allocated to Tax Collections by Fiscal Years			
			1961	1960	1959	1954
North Carolina	7,080	6,487	91.6	83.8	90.4	74.6
North Dakota	550	1,255	228.1	207.2	206.7	159.7
Ohio	21,604	18,226	84.4	67.2	74.9	47.9
Oklahoma	3,128	5,356	171.2	123.2	128.6	90.8
Oregon	3,291	4,449	135.2	121.0	116.7	98.7
Pennsylvania	24,678	28,227	114.4	98.8	106.3	71.6
Rhode Island	1,901	3,484	183.3	149.8	154.8	93.2
South Carolina	3,247	3,530	108.7	101.9	111.6	90.1
South Dakota	601	955	159.0	151.7	152.1	120.0
Tennessee	5,250	4,594	87.5	80.3	87.8	71.7
Texas	14,739	14,031	95.2	88.5	88.3	73.6
Utah	1,442	3,193	221.4	171.6	181.6	144.4
Vermont	609	1,008	165.6	169.7	177.6	123.1
Virginia	5,320	3,616	68.0	52.4	53.7	44.7
Washington	5,260	7,099	135.0	118.7	114.6	100.1
West Virginia	2,820	2,845	100.9	83.1	84.2	50.2
Wisconsin	7,520	5,374	71.5	64.3	69.0	49.3
Wyoming	550	962	175.0	174.8	184.4	145.0

Source: 1954-60 data—U.S. Department of Labor, Bureau of Employment Security, *Compilation of Data on Federal Financing of Employment Security Programs, 1939-1960*, BES no. U-205 (Washington: August 1961); 1961 data—U.S. Department of Labor, Bureau of Employment Security.

distributing tax funds to the states can be devised."[26] In view of the wide variations in the allocation of funds to the states by the BES (see table 12), this administrator wonders "whether the national office is bailing out inefficient administrators or inefficient operations, whether the scope of service is beyond the state's need or whether those 100-percent-plus states have excellent political connections."

One measure of equitable distribution is the ratio of administrative funds to the states' federal unemployment insurance tax collections. Table 12 shows the collections and allocations for fiscal 1961 and the ratios for selected fiscal years. In fiscal 1961, the ratios ranged from Alaska's high of 374.2 percent to Indiana's low of 63.7 percent. This means that for every federal unemployment insurance tax dollar collected in Alaska almost $4 was returned. Indiana, on the other hand, received about 64 cents of each of its federal unemployment insurance tax dollars. The ratio for the United States as a whole was 108.7 percent, which meant more funds were allocated than were collected from the unemployment insurance tax. Thirty-three jurisdictions received back more than 100 percent of their taxes. Six of these received back more than 200 percent; and one, over 300 percent.

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[26] Letter of January 25, 1962, from a state administrator in the Midwest to Daniel H. Kruger.

By comparison, in fiscal 1954, there were only 16 jurisdictions receiving at least 100 percent or more of their federal tax collections. Only 1 of the 16 jurisdictions (Hawaii) was not among the group receiving more than 100 percent of its collections in fiscal 1961. The ratio for the country as a whole was 72.4 percent, with Alaska again high at 197.5 percent and Indiana low at 40.4 percent. In the fiscal year 1959, the United States ratio rose to 98 percent. Thirty jurisdictions received more than they had collected in fiscal 1959. The range was from Idaho's high of 389.6 percent to Virginia's low of 53.7 percent. In fiscal 1960, the United States ratio was down to 94.3 percent with the range from Alaska's 367.5 percent to Virginia's 52.4 percent. Twenty-six jurisdictions received funds in excess of their tax collections.

There does not appear to be any pattern of distribution of funds in relation to tax collections. Fifteen states did consistently receive back more than 100 percent of their collections in each of the 4 fiscal years. In the 100-per-cent-plus there are states with large and small populations like California, New York, Nevada, and Montana; and with large and small geographical areas like Arizona and Rhode Island. There are no sectional differences since there are states in every section of the country—north, south, east, and west—receiving more funds than are collected. Even on a regional basis, that is, BES regions, there is no significant pattern of distribution. In fiscal 1961, for example, in Region V—Michigan, Ohio, and Kentucky—the ratios were 111.5 percent, 84.4 percent, and 111.9 percent, respectively, while in Region VI the ratios were: Indiana, 63.7 percent; Illinois, 67.8 percent; Wisconsin, 71.5 percent; and Minnesota, 87.8 percent.

Before leaving the problems of adequate staffing and financing, we must call attention to the level of salaries being paid in the Employment Service. An adequate, well-qualified staff is essential, yet the salaries in many state agencies need to be improved if they are to attract and retain the kind of staff required. In July 1962, for the nation as a whole, the following were the median minimum and maximum annual salaries for four positions in the Employment Service:[27]

	Median Annual Salary	
	Minimum	*Maximum*
Local office manager	$5,345	$6,660
Employment interviewer	4,183	5,220
Labor market analyst	4,992	6,400
Employment counselor	4,760	5,915

With such salaries, state agencies are handicapped in their bids for better qualified personnel.

Adequate staffing and financing are critical problems in the USES. Program improvements cannot survive unless they are reflected in realistic budgets. We offer some suggestions for financing in chapter VI. Financing alone will not resolve all problems facing the USES. There must be understanding of its role in labor market transactions. We believe that lack of understanding of this role represents a critical problem which needs to be resolved.

Lack of Understanding

The Employment Service has been criticized from many quarters in recent years, especially regarding the quantity and quality of its placement functions. The AFL-CIO Executive Council, in June 1961, called attention to the failure of the Employment Service "to keep up with changes in employment and skill requirements." The Armour Automation Committee reports that "public employment services have been of very little help in finding new jobs for displaced workers."[28]

The quality and quantity of placement activities can always stand improvement. The Employment Service, however, cannot create jobs. Furthermore, it cannot refer unqualified job applicants to jobs requiring specialized skills. In placement activities, it must start with the applicant's abilities, his strengths, and his weaknesses. Criticisms of the USES for failure to place an unskilled worker 50 years old with a sixth grade education must take into account the capabilities of such applicants. Furthermore, the Employment Service only makes referrals. In the final analysis, it is the employer who determines his labor force requirements and selects and hires job seekers; and it is the worker who determines what job he will accept and under what conditions of employment.

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[27] *State Salary Ranges* (Washington: U. S. Department of Health, Education, and Welfare, July 1, 1962), pp. 4, 6, and 8-9.

[28] *Progress Report, Automation Committee* (Chicago: Armour Automation Committee, June 19, 1961), p. 5.

There are also complaints about the quality of jobs available through the Employment Service. The Employment Service gets "quality" job orders in two ways. Employers can take the initiative in listing such jobs with the local office which, in turn, can recruit qualified applicants to fill them. There must be a "quality" job order available before recruitment can be made. Second, when "quality" applicants register, the Employment Service seeks out jobs for them in the community. Through such job development, "quality" applicants can be placed in "quality" jobs. Thus, if the number of "good" jobs listed is to increase, employers must list them; well-qualified applicants must register; and the Employment Service must provide quality placement services.

Employment Service operations present conflicts of interest among those using its service. Employers are competing for the best workers, while job seekers are competing for the best jobs. If some employers get the best workers, other employers won't. If some job seekers get the best jobs, others are out of luck. Reynolds has pointed out that "these conflicts are mediated, not through a market mechanism whose impersonality protects it from reproach, but through an administrative procedure which is all too readily blamed for unfair treatment."[29]

Another criticism leveled at the USES is that it often "undermines established labor standards" by referring workers to nonunion shops or low-wage-paying employers. It is not the function of the Employment Service to determine proper employment standards. In its placement activities, it takes into account the prevailing wage rate. It does not make referrals to employers whose wage rates and working conditions are significantly sub-standard. For example, if the going hourly rate in the community for a machinist is $2.50 an hour, it would not refer a qualified machinist to an employer paying $1.25 an hour. The worker, however, actually makes the decision as to the job he will accept and under what conditions of employment. In a labor market where the individual makes such decisions and where there are several channels of hiring, the Employment Service is not in a position to protect labor standards. It does not make referrals to strike situations.[30]

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[29] Lloyd G. Reynolds, *The Structure of Labor Markets* (New York: Harper & Brothers, 1951), p. 271.

[30] For further details, see *Bureau of Employment Security Manual* Part II, Sections 1650-1659 on "Special Referral Situations."

The Employment Service operates best when the economy is growing, not only the national economy but also the local labor markets which it serves. National economic forces affect local labor market conditions, but their effects are not necessarily uniform. The level of national economic activity at a given time does not affect all communities alike because each labor market has particular characteristics. It may be a farm-oriented, coal mining, steel or auto manufacturing center; or it may be dominated by defense contractors. Within each labor market, there are numerous particular job markets, for example: for secretaries, key-punch operators, assemblers, etc. Therefore, any evaluation of the effectiveness of local office operations must take into account the nature of the local labor market and the various factors which affect employment levels and jobs in that area. In Michigan, for example, unemployment may be high in a certain community but low in another with the same size labor force. The volume of placement activities may, therefore, vary significantly between the two communities.

The nation's employment problems are becoming increasingly complex due to technological changes, shifts in consumer demand, international competition, and plant location decisions, among other things. Under its present methods and programing, the Employment Service is not prepared to resolve all the employment problems. ARA and MDTA will enable it to improve employment by determining training needs and referring qualified persons to training programs. The community, employers, and workers, alike, cannot expect one agency understaffed and underfinanced to solve all its employment problems—it will take a community effort with all segments contributing their utmost, including the United States Employment Service.

VI. Strengthening and Improving the United States Employment Service

Since 1933 the USES has had a checkered career. It has operated under all kinds of situations: the most catastrophic depression in the history of the country, the war economy with its critical labor shortages and administered manpower regulation, and the postwar period with its sharp rises both in population and in the labor force and an accelerated rate of technological change. While adjusting to these varied external pressures, it also experienced strong internal pressures. It was moved from one federal department to another and back. It changed from a federal-state system to a federal system and back to federal-state. It was never sure of its organizational status. In addition to these external and internal pressures, came sharp criticisms from employers, workers, labor organizations, federal and state government officials, and students of labor market organization. Much of the criticism was deserved, especially as to the quality and quantity of placements and labor market information. Nevertheless, we must not ignore the USES's genuine gains in labor market organization achieved in the 30 years since the Wagner-Peyser Act. Early pioneers of the Employment Service would hardly recognize the current large nationwide organization and its array of employment services.

In three decades of service to the nation, the USES has made significant strides in facilitating the employment process and in improving labor market organization. Prior to 1933, no organized nationwide system of public employment offices existed. Instead, poorly organized, inadequately staffed local offices operated in a relatively few communities across the nation. Now over 1,900 local offices are affiliated with the USES.

In 1933 a systematic classification of jobs in American industry was unknown. Today the *Dictionary of Occupational Titles,* developed by the Employment Service, identifies, describes, and classifies over 30,000 jobs; and a new revised and even more complete edition will be available in 1965.

In 1933 there were no validated aptitude tests in or out of government, no oral trade questions, no general aptitude tests for use in counseling, and no reliable proficiency tests for use in selecting clerical workers. The USES can point to substantial achievements in its testing research program. Thirty years ago employment counseling as a service to out-of-school youth and adults was virtually unheard of. In 1962 the Employment Service provided counseling for 2.1 million individuals and testing to nearly 2.3 million. Over 700,000 took the general aptitude test battery (GATB).

In 1933 there was little reliable information about the number and characteristics of the unemployed, labor market requirements, and the employment problems of particular groups of workers such as older people and youth. As a result of the USES's labor market information program, up-to-date data are easily available on employment and unemployment and on trends in occupations and skill requirements.

Prior to 1933, the migration of workers from community to community in search of jobs was not recognized as a major phenomenon in the labor market. Indeed, little was known about labor mobility. Workers moved to new locations in search of employment on the basis of rumors, hunches, "tips," and newspaper ads. Through the USES nationwide clearance system, an organized channel of hiring has been developed to facilitate the movement of workers from place to place and job to job. In addition, workers can get national labor market information about job opportunities, wages, hours, and conditions of employment in all the nation's major labor market areas.

One other major USES achievement must be noted—its contribution during World War II. It clearly demonstrated its capacity to help mobilize manpower to meet the demands of the war effort.

Notwithstanding all these achievements, the USES needs to be strengthened and necessary steps should be taken to provide better employment services. The problems of the labor market are increasing in complexity. As a result of population growth, technological improvements, foreign competition, shifts in defense requirements, and plant relocation, to mention a few, the number of workers and employers requiring assistance has been growing rapidly. The USES and its state affiliates have important responsibilities in the resolution of the nation's manpower problems. The current demands being made on the Employment Service require that ways and means be diligently sought to improve the functioning of the present federal-state system. It would be too simple to suggest, as some persons have recommended, that a streamlined national system is the proper remedy for improving the Employment Service. Political realities alone rule out this proposed remedy. Prudence therefore suggests the need for other approaches. Some steps have already been taken to improve the Employment Service; others are needed.

Before discussing what still needs to be done, let us take a more detailed look at the new USES created by the 1962 reorganization. The impetus for the reorganization at the national level came from several sources. President Kennedy in his Economic Message, February 2, 1961, directed the Secretary of Labor "to take necessary steps to provide better service to job applicants registered with the United States Employment Service." Rarely in its history has the USES received such presidential attention. Various groups, especially the AFL-CIO, sharply criticized the performance of the Employment Service. Further, the federal government could not ignore the emerging manpower and labor market problems. The USES was reorganized so that it could better identify these problems, and thus contribute more significantly towards their resolution. Congress assigned it new responsibilities through ARA, MDTA, and the Trade Expansion Act. In addition, its basic functions—placement, counseling, and providing pertinent labor market information—required expansion and improvement. Under these new responsibilities, coupled with its activities for older workers, youth, and community development, the USES's character has changed. It is no longer a simple labor exchange; it is becoming a manpower agency in which the labor exchange function is only one aspect, albeit an important one, of its responsibilities. It is concerned not only with the "most effective utilization of the nation's manpower resources by facilitating the employment process, but also with the development of our manpower resources and raising the skills of the work force through training and retraining."[1]

The reorganization centered on increasing the effectiveness of the Employment Service and the Unemployment Insurance Service of the Bureau of Employment Security. We will discuss only the former. The objective of the reorganization was to bring together in one organization all the resources and facilities necessary to reconstitute the Employment Service as an operating entity with identifiable responsibilities. Prior to reorganization, the USES had no director of its own. The Director of BES was responsible for both the Employment Service and the Unemployment Insurance Service (see chart 3). The Veterans Employment Service and Farm Labor Service were not in the Employment Service; they reported directly to the Director of BES. Research activities for both services were largely integrated into one unit under the Deputy Director for Program

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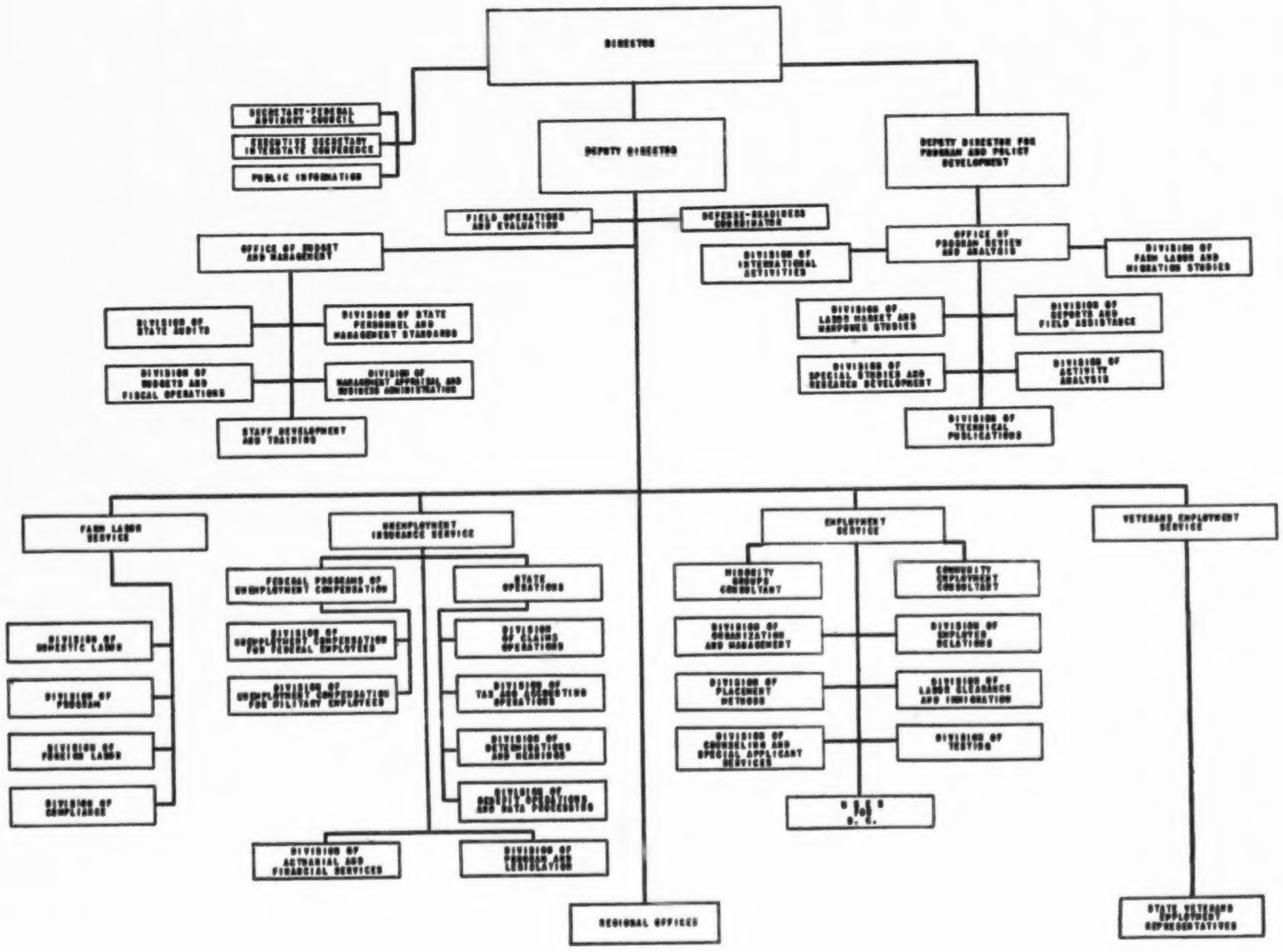
[1] Louis Levine, "The New United States Employment Service Charts Its Course," *Employment Security Review*, XXIX, no. 4 (April 1962), p. 6.

Chart 3

Organization Chart
September 1959

United States Department of Labor
Bureau of Employment Security


DIRECTOR
SECRETARY-FEDERAL ADVISORY COUNCIL
EXECUTIVE SECRETARY INTERSTATE CONFERENCE
PUBLIC INFORMATION
DEPUTY DIRECTOR
DEPUTY DIRECTOR FOR PROGRAM AND POLICY DEVELOPMENT
FIELD OPERATIONS AND EVALUATION
DEFENSE-READINESS COORDINATOR
OFFICE OF BUDGET AND MANAGEMENT
DIVISION OF STATE AUDITS
DIVISION OF STATE PERSONNEL AND MANAGEMENT STANDARDS
DIVISION OF BUDGETS AND FISCAL OPERATIONS
DIVISION OF MANAGEMENT APPRAISAL AND BUSINESS ADMINISTRATION
STAFF DEVELOPMENT AND TRAINING
OFFICE OF PROGRAM REVIEW AND ANALYSIS
DIVISION OF INTERNATIONAL ACTIVITIES
DIVISION OF FARM LABOR AND MIGRATION STUDIES
DIVISION OF LABOR MARKET AND MANPOWER STUDIES
DIVISION OF REPORTS AND FIELD ASSISTANCE
DIVISION OF SPECIAL STUDIES AND RESEARCH DEVELOPMENT
DIVISION OF ACTIVITY ANALYSIS
DIVISION OF TECHNICAL PUBLICATIONS
FARM LABOR SERVICE
DIVISION OF DOMESTIC LABOR
DIVISION OF PROGRAM
DIVISION OF FOREIGN LABOR
DIVISION OF COMPLIANCE
UNEMPLOYMENT INSURANCE SERVICE
FEDERAL PROGRAMS OF UNEMPLOYMENT COMPENSATION
DIVISION OF UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES
DIVISION OF UNEMPLOYMENT COMPENSATION FOR MILITARY EMPLOYEES
STATE OPERATIONS
DIVISION OF CLAIMS OPERATIONS
DIVISION OF TAX AND ACCOUNTING OPERATIONS
DIVISION OF DETERMINATIONS AND HEARINGS
DIVISION OF BENEFIT OPERATIONS AND DATA PROCESSING
DIVISION OF ACTUARIAL AND FINANCIAL SERVICES
DIVISION OF PROGRAM AND LEGISLATION
REGIONAL OFFICES
EMPLOYMENT SERVICE
MINORITY GROUPS CONSULTANT
COMMUNITY EMPLOYMENT CONSULTANT
DIVISION OF ORGANIZATION AND MANAGEMENT
DIVISION OF EMPLOYER RELATIONS
DIVISION OF PLACEMENT METHODS
DIVISION OF LABOR CLEARANCE AND IMMIGRATION
DIVISION OF COUNSELING AND SPECIAL APPLICANT SERVICES
DIVISION OF TESTING
U S E S FOR D. C.
VETERANS EMPLOYMENT SERVICE
STATE VETERANS EMPLOYMENT REPRESENTATIVES

and Policy Development. The Office of Budget and Management also reported to the bureau's director through a deputy director. In short, the Employment Service's vitals were scattered throughout the Bureau of Employment Security.

The new USES is headed by a director who reports to the Administrator of the BES. The latter is a new position which was created when that of bureau director was abolished. There were four major offices (see chart 4): Manpower Development and Utilization, Employment Service Activities, Veterans Employment Service, and Farm Labor Service. Later in 1962, the Farm Labor Service became a separate entity within BES. There is, however, a close working relationship between the USES and the Farm Labor Service (see chart 5).

The Office of Manpower Development and Utilization is the USES's research arm for labor market surveys and analyses, skill surveys, and occupational research. It also handles the USES's responsibilities under ARA and MDTA as well as manpower problems arising out of automation and technological change.

The Office of Employment Service Activities contains many of the Employment Service's former divisions such as Organization and Management, Labor Clearance and Immigration, and Counseling and Special Applicant Services plus several important ones like the divisions of Professional Placement Services, Youth Employment Services, and Metropolitan Area Operations Review. These additional divisions reflect the current manpower problems.

The Veterans Employment Service was also brought into the Employment Service, thus centralizing all of BES's nonfarm placement and related responsibilities.

The reorganization also included the BES regional offices. There is now a division of responsibility paralleling that of the national bureau. In each region there is a director for USES operations and one for Unemployment Insurance Service. Both report to a regional administrator. The USES regional staffs have responsibilities for strengthening and improving the operations of state employment services in their regions by evaluating these services, making recommendations and suggestions, and providing technical assistance. They, in effect, supervise the implementation of national USES policies and programs in the state employment services.

The new structure is oriented to problem solving, which should result in more meaningful manpower services to the nation. It also provides a basis for the organizational interrelationships so necessary for quality performance. It permits more effective marshaling of staff resources.

Chart 4

Organization Chart
February 1962
United States Department of Labor
Bureau of Employment Security
United States Employment Service

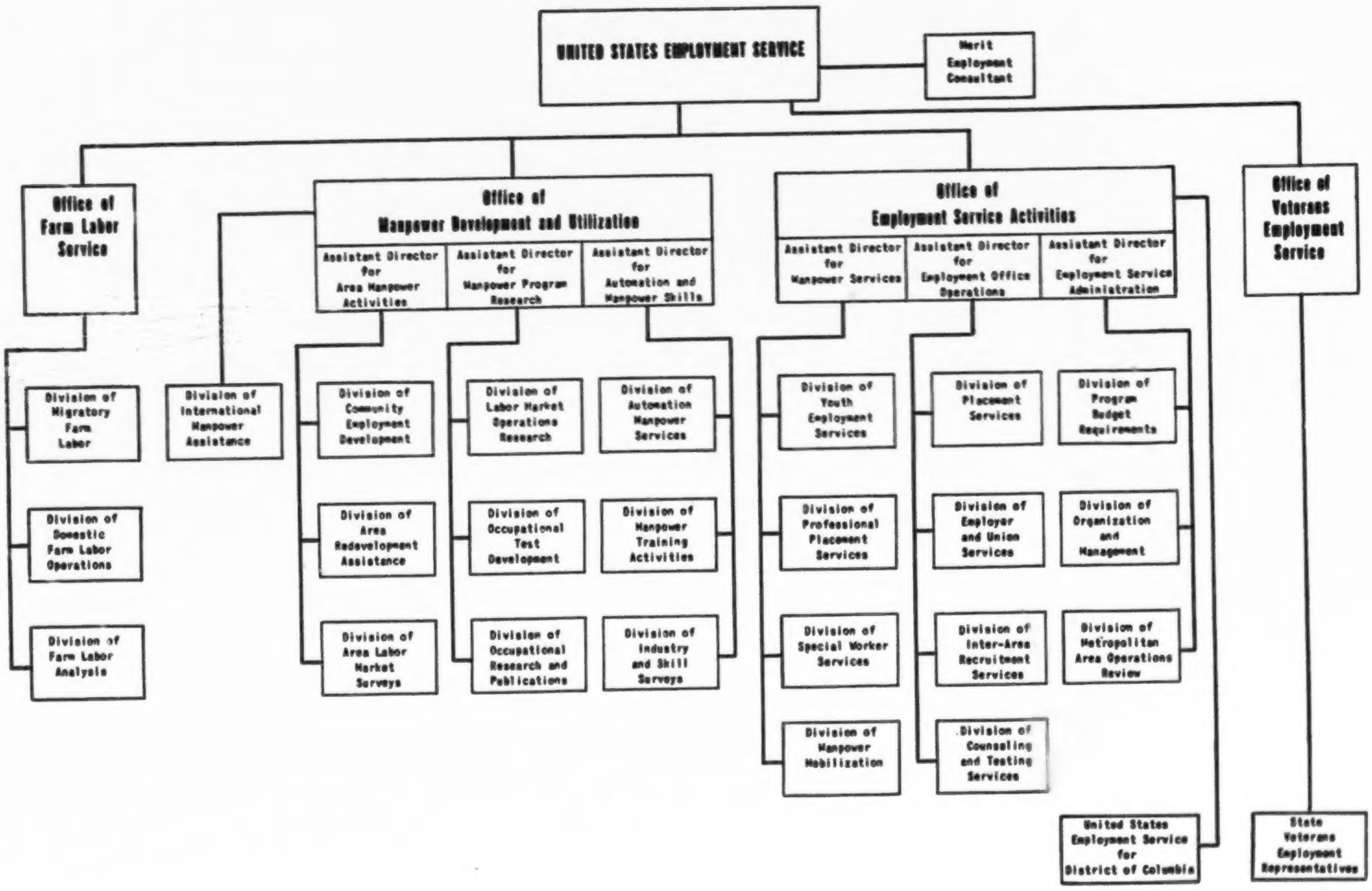
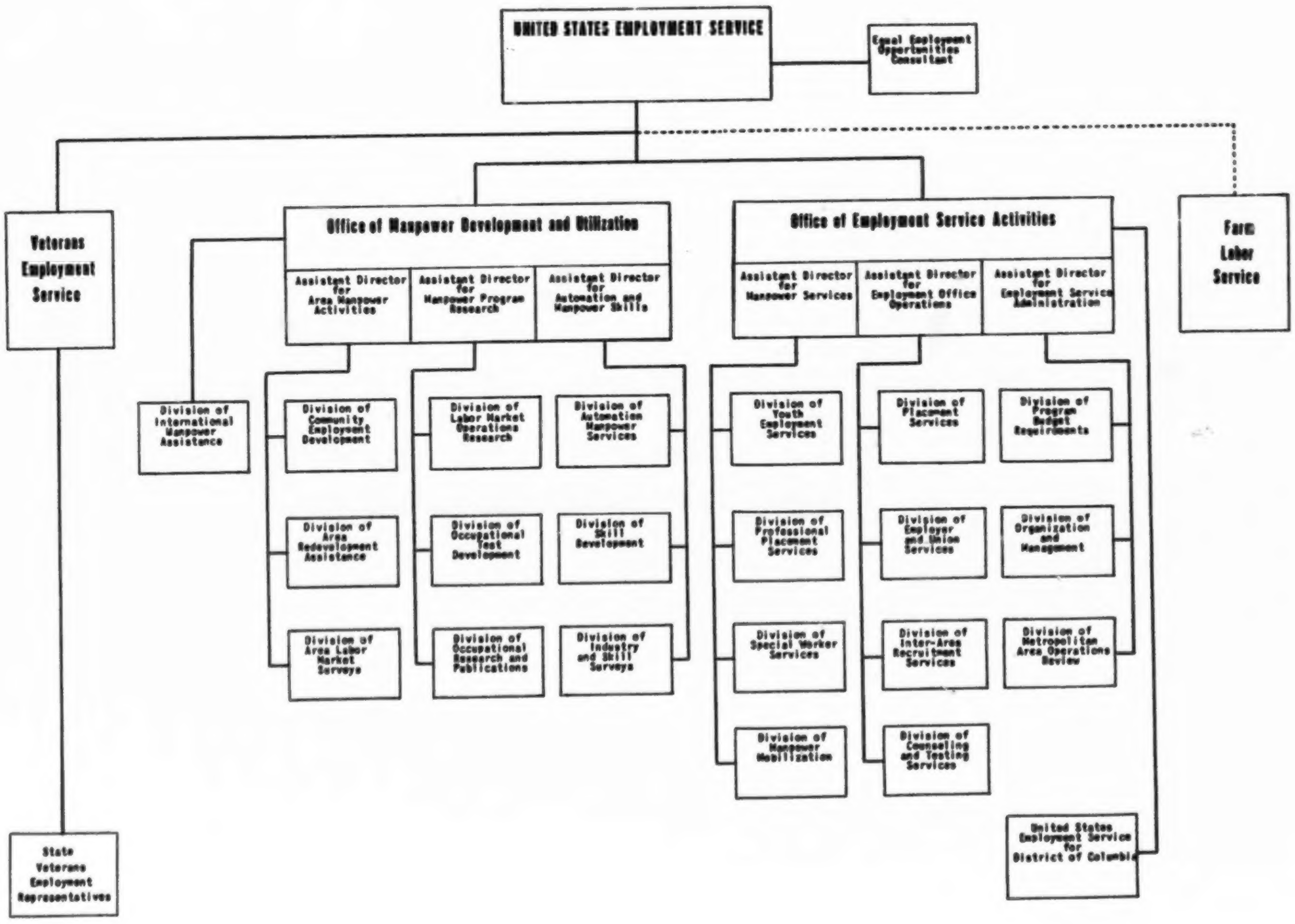

UNITED STATES EMPLOYMENT SERVICE
Merit Employment Consultant
Office of Farm Labor Service
Office of Manpower Development and Utilization
Assistant Director for Area Manpower Activities
Assistant Director for Manpower Program Research
Assistant Director for Automation and Manpower Skills
Office of Employment Service Activities
Assistant Director for Manpower Services
Assistant Director for Employment Office Operations
Assistant Director for Employment Service Administration
Office of Veterans Employment Service
Division of Migratory Farm Labor
Division of Domestic Farm Labor Operations
Division of Farm Labor Analysis
Division of International Manpower Assistance
Division of Community Employment Development
Division of Area Redevelopment Assistance
Division of Area Labor Market Surveys
Division of Labor Market Operations Research
Division of Occupational Test Development
Division of Occupational Research and Publications
Division of Automation Manpower Services
Division of Manpower Training Activities
Division of Industry and Skill Surveys
Division of Youth Employment Services
Division of Professional Placement Services
Division of Special Worker Services
Division of Manpower Mobilization
Division of Placement Services
Division of Employer and Union Services
Division of Inter-Area Recruitment Services
Division of Counseling and Testing Services
Division of Program Budget Requirements
Division of Organization and Management
Division of Metropolitan Area Operations Review
United States Employment Service for District of Columbia
State Veterans Employment Representatives

Chart 5
Organization Chart
October 1962
United States Department of Labor
Bureau of Employment Security
United States Employment Service


UNITED STATES EMPLOYMENT SERVICE
Equal Employment Opportunities Consultant
Veterans Employment Service
State Veterans Employment Representatives
Office of Manpower Development and Utilization
Assistant Director for Area Manpower Activities
Assistant Director for Manpower Program Research
Assistant Director for Automation and Manpower Skills
Division of International Manpower Assistance
Division of Community Employment Development
Division of Area Redevelopment Assistance
Division of Area Labor Market Surveys
Division of Labor Market Operations Research
Division of Occupational Test Development
Division of Occupational Research and Publications
Division of Automation Manpower Services
Division of Skill Development
Division of Industry and Skill Surveys
Office of Employment Service Activities
Assistant Director for Manpower Services
Assistant Director for Employment Office Operations
Assistant Director for Employment Service Administration
Division of Youth Employment Services
Division of Professional Placement Services
Division of Special Worker Services
Division of Manpower Mobilization
Division of Placement Services
Division of Employer and Union Services
Division of Inter-Area Recruitment Services
Division of Counseling and Testing Services
Division of Program Budget Requirements
Division of Organization and Management
Division of Metropolitan Area Operations Review
United States Employment Service for District of Columbia
Farm Labor Service

Metropolitan Area Organization

There has been a major shift in USES's operations in the nation's large labor markets. Improvement of the Employment Service greatly depends on what happens in these labor markets. In the large metropolitan areas, the need for employment services by both workers and employers is the greatest. Thus, in fiscal year 1962, the Employment Service began concentrating on improving operations in 55 of the largest urban centers—those with populations ranging from 500,000 to 8,000,000—in 31 states, the District of Columbia, and Puerto Rico. These centers account for more than half of the nation's wage and salary workers.

Recognizing that areas vary significantly both in size and in industrial and occupational composition, the Employment Service developed a set of principles to guide the organization and strengthen the metropolitan offices. Together with its state affiliates, the USES worked out agreements to bring about a major reorganization in accordance with the following principles:[2]

1. Separating the employment service from unemployment insurance service operations, preferably with separate physical locations. Where this is not feasible, separation would be accomplished as much as possible through internal alterations and additional entrances.
2. Organizing employment service operations along lines best calculated to provide effective services to the labor market area.
3. Establishing in the central sector specialized industrial occupational offices, each serving all employers in broad industrial categories and all occupations dominant in and characteristic of those industries.
4. Locating Employment Service in or close to the most central terminals and transfer points for all transportation.
5. Providing full-time supervision of employment service operations in large metropolitan areas.

We have already discussed the background for the physical separation of employment service and unemployment insurance operations. One objective of the separation was to create to the fullest extent possible a physically separate, identifiable employment service, freed from the pressure of large numbers of unemployment claimants and their inevitable priority for the staff's attention. It sought to free the Employment Service from the "unemployment office" image.[3] The Director of BES, in requesting funds for fiscal year 1962 administrative grants to the states, referred specifically to the need for improving services in the large urban areas by underscoring the importance of establishing "in the public mind that the primary function of the employment office is to find jobs for workers and to render needed job market and manpower services."[4]

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[2] *Guide to Fiscal Year 1962 Changes in Metropolitan Organization* (Washington: U.S. Department of Labor, Bureau of Employment Security, June 29, 1961), pp. 7-16.

The reorganization's second objective was to abolish the artificial geographical boundaries created by combining employment service and unemployment insurance operations. Over the years these integrated offices were established to distribute claim loads evenly. Thus, they were located where they would be reasonably accessible to the majority of claimants. This was especially important because claimants are required to report weekly to the office. The net result was the tendency to "balkanize" the labor market into arbitrary office jurisdictions which ignored, to a very large degree, the nature and structure of the market itself. For example, many persons do not live in the neighborhoods where they work. Having the employment service and unemployment insurance office located on a geographic basis thus precluded the proper referrals to available job orders.

Under this system the supply of workers was fragmentized, and employer orders were difficult to fill. The only way workers in any one office in an urban center could obtain access to all the job orders in the area was through some kind of interoffice clearance system. Employers had the same kind of problem. They could secure access to the total labor supply available for any occupational group only through a completely coordinated action of all local offices in the metropolitan area. Unfortunately, it was not possible to create a metropolitan clearance system which was capable of coordinating effectively the network of geographic offices so that all job seekers and employers' job orders could be evaluated properly. The difficult problems of developing an effective interoffice clearance system have been described:

> In the preponderance of cases the placement person in the office receiving the order may either fail to fill it because of a lack of qualified applicants in his own files or, if he does clear to other offices, he does so only *after* exhausting his own office's resources. By the time the receiving office has had time to find or

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[3] *Ibid.*, pp. 8-9.

[4] *Ibid.*, p. 8.

> refer workers, a minimum average lag of four or more days elapsed. This handicap normally resulted in losses (cancellations) in over 75 percent of the job openings cleared between offices in geographic systems despite the enormous amounts of sheer paper work involved. (In one illustrative case 6,271 pieces of paper based on 299 openings were cleared from one office to the other offices in a large city network. Seventy percent of the openings were cancelled through failure to file.)[5]

Although many different systems have been tried, none provided a satisfactory solution. USES concluded that the only satisfactory solution lay in reorganization, specifically by establishing industrial occupational offices. New York City's experience since 1939 had shown that the interoffice clearance problem could be largely resolved by having such offices. Under this arrangement, each office serves all employers in a given industrial classification and all applicants in related occupations. For example, the commercial office serves all employers seeking office workers and all applicants seeking office jobs. Thus, in a large metropolitan area, the total demand for given occupational groups and the total supply of such job seekers are brought together in one office. This is the third principle.

With employment service offices reorganized along industrial-occupational lines, location of these specialized offices becomes important. For example, the office serving office occupations should be located where the bulk of such work is carried on, and the office serving sales occupations should be near the retail center. Thus, the fourth principle is to locate these offices in the heartland or main central portion of the metropolitan area which is easily accessible and convenient so that both job seekers and employers can be served more effectively.

Establishing offices specializing in professional, sales, office, service, or manufacturing placements in a large metropolitan area requires areawide supervision and coordination. This brings us to the fifth principle. The area manager supervises all the operating divisions of the metropolitan employment service—the industrial-occupational offices in the city's heartland as well as the employment service managers in the suburban offices in which Employment Service and Unemployment Insurance Service are joint tenants. (Suburban offices are not affected initially by this reorganization.) He is the key person for the planning, coordination, and leadership necessary for an effective employment service in the large metropolitan areas.

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[5] *Guide to Fiscal Year 1962 Changes in Metropolitan Organization* (Washington: U.S. Department of Labor, Bureau of Employment Security, June 29, 1961), p. 3.

This reorganization could not have taken place without congressional support. Congress recognized the need for strengthening the employment service in large metropolitan areas by appropriating funds in fiscal year 1962 to defray personnel, space, and related costs incident to making these changes. The states involved likewise recognized the need for improvements in these areas. By June 30, 1962, the states had reorganized and staffed 42 metropolitan area employment service operations.

What are the results? While it is too early to make any overall appraisal of the reorganization of both the USES and the large metropolitan operations, there are some indications of its effectiveness. Nonagricultural placements for fiscal year ending June 30, 1962, totaled 6.5 million, 16 percent higher than for the previous year and the highest volume for any fiscal year since 1953. Nonfarm placements in the 55 largest metropolitan areas increased 21 percent over fiscal year 1961. In the 42 reorganized areas, placements rose 22 percent. By comparison in the 13 areas where reorganization had not been undertaken, placements increased only 14 percent.

USES has been seeking other ways of improving its employment services. It is experimenting with electronic data processing equipment, sponsoring demonstration projects, revising procedures, and conducting needed research on current manpower problems, such as automation, to the end that its resources can be used effectively. We have selected two projects for further discussion to indicate the kinds of things being done. One deals with the use of electronic data equipment and the other with a placement demonstration in Muncie, Indiana.

Placement Service Using Electronic Data Processing Equipment

In seeking to improve the placement operations, the USES and the California State Employment Service are experimenting with electronic data processing (EDP) and telecommunications. The experiment is popularly known as Project LINCS West.[6] EDP is being used (1) to increase the efficiency and timeliness of placement activities by matching large numbers of job order specifications with worker qualifications; (2) to broaden the base of recruitment, selection, and referrals within and between labor markets; and (3) to relieve staff of time-consuming and laborious file searches.

Using EDP equipment may eventually transform local offices into depositories of job and labor market information. Interviewers, freed from paper work and file searches, will be able to devote their time to (1) analyzing jobs and workers; (2) classifying items of data for processing, storage, and retrieval; and (3) helping the public identify particular needs and supplying appropriate information to both workers and employers.

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[6] "Progress on Project LINCS West," *Committee on Employment Service Programs and Operations Report of Final Meeting*, held in Washington, D.C., July 24-26, 1962 (Washington: Interstate Conference of Employment Security Agencies, 1962), pp. 16-18.

Telecommunications are being used (1) to expedite the exchange of documented information about applicants and employers' orders; (2) to improve the capacity to fill job openings within very short time periods; and (3) to provide current labor market information for use in recruitment and job development and, in case of national emergency, for mobilizing the work force.

Through the use of electronic data processing equipment and telecommunications, the public employment service is studying more efficient, economical, and modern ways of providing its services. These are tools which, if used properly, can aid managers in the local offices to serve more effectively their respective labor market areas. Project LINCS West is an effort to develop a new approach to meet contemporary demands for manpower services. If successful, the project will be expanded to other states.

Another innovation is the optical scanner computer which processes General Aptitude Test Battery (GATB) answer sheets. A survey conducted in July 1962 indicated that counselors spent considerable time in clerical processing of test results, especially in the school program.[7] Even with machine survey equipment, much additional clerical work was required to convert raw scores to aptitude scores, to determine occupational aptitude patterns, and to transcribe necessary information. Using automated equipment will reduce costs and errors in scoring these answer sheets. This equipment will score and record GATB results in all instances where employment service staffs administer the tests. State agencies will mail their answer sheets to the firm supplying this service for processing.

Muncie Demonstration Project[8]

This project was conducted by the Indiana State Employment Service and USES during the first six months of 1962. Its objective was to improve employment services in the local office. The results were most impressive, particularly in view of the fact that Muncie had the second highest unemployment rate in Indiana. Placements increased 69 percent over the first six months in 1961. Semiskilled placements increased over 350 percent. During the project period, referrals failed to be made in only three percent of the orders received.

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[7] "Automated System for Processing GATB Answer Sheets," *USES Program Letter No. 1372* (Washington: U. S. Department of Labor, Bureau of Employment Security, November 21, 1962).

[8] *Muncie "Let's Put Them Back to Work" Demonstration Project Report Outline* (Indianapolis: Indiana Employment Service, 1962).

How were these results achieved? The following methods and techniques were used:

Obtaining community support. A number of prominent local people were invited to a luncheon to launch the project. From these persons an advisory steering committee was established to assist in developing plans to carry out the project. Nine community organizations endorsed the project in letters to their membership. Staff visited every employer in the community.

Promotion and recruitment efforts. The local office spent almost $1,600 for newspaper advertising, double the budget for the previous year. Classified ads were the most effective medium used in attracting applicants to the local office.

Approximately $1,000, divided equally between radio and T.V., was spent with the understanding that more than the usual public service time would be given. In addition to the paid time, the equivalent of $6,556 in free time was used.

Over 1,000 persons in the file were reinterviewed, and new applications were written for over half of these.

During a 5-week period, the office experimented with staying open two nights a week from 6 to 8 o'clock. Applicants contacting the office in the evening were, for the most part, employed workers seeking a change.

The office also experimented with remaining open a half day Saturday from 8 a.m. to 12 noon. Neither the evening nor the Saturday morning opening produced effective results; but there may have been extenuating circumstances, such as inclement weather, to account for this.

The office mailed brief resumes for outstanding applicants to some 2,200 employers. Five such mailings were made during the project period.

Additional resources. Early in January, five interviewers and one clerk were added to the staff, bringing the total to 35 persons. Additional space was rented for testing purposes and for interviewing unemployment insurance claimants. The Muncie office houses both employment service and unemployment insurance operations.

The project demonstrated that greater emphasis, including community support coupled with additional staff and other resources, can increase placement activities. The Muncie experiment could serve as a guide for other local offices.

Suggestions

At this juncture in its history, the USES must translate into effective action the increasing national interest in manpower development and utilization. Given the current political realities, the present federal-state partnership will remain in operation until USES users exert sufficient pressures to change it.

Presidential support, reorganization, separation of the employment service and unemployment insurance offices in the larger metropolitan areas, the use of electronic equipment to speed placement activities and to score tests, and demonstration projects should all improve the effectiveness of the USES. What changes does it need? We offer the following suggestions.

Federal Leadership

We urge the federal partner to exercise leadership. If this is to be a federal-state system, we want to emphasize that the federal partner has important responsibilities. It must clarify standards of performance and accountability for the states. The Employment Service has been criticized for its failures. Its standards of performance have not been clear or uniform. No one knows the number of placements the USES should make in a year or five years. No one knows what should be the composition of these placements by occupational groups. There appears to be general agreement that the quantity of full-time placements could be better, but how much better remains vague. Until some kind of objective yardstick is developed, "the evaluation of placement operations will continue to be mainly a subjective process open to question and productive of a good deal of frictions."[9]

Numbers alone are not sufficient for measuring service to the community. Little is accomplished if large numbers of applications are taken but no action follows, or if many counseling interviews and tests are given without anything further being done with them. Administrative grants based on state workloads and programs have placed an unduly high financial premium upon the quantity of activities tallied. Some critics even charge that the Employment Service's motto is "tallyho." Certainly high morale and competent performance disappear when the basis for evaluation is just counting the pieces of paper.

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[9] Leonard P. Adams, *et al.*, *Report of Consultants on Future Policy and Program of the Federal-State Employment Service* (Washington: U. S. Department of Labor, Bureau of Employment Security, December 14, 1959), p. 11.

Leadership by the federal partner implies developing minimum standards of performance and then continuously improving methods, procedures, techniques, and tools needed by the state agencies and their local offices to perform effectively. In the job economy, these are not static: they are modified, enlarged, or discarded as technical skills are improved and the knowledge of administrative science is accumulated. Every facet of employment service operations—placement, counseling, testing, labor market research—is affected by changing conditions.

Take placement, for example: Each year there are thousands of work registrations which do not result in placements. The registration process and maintenance of the resulting files consume man-hours that could be used in filling job openings. One suggestion to improve efficiency is to develop an abbreviated work application form for those workers whose qualifications indicate low placement potential. Furthermore, electronically punched cards could be prepared for certain types of applicants, such as technical, professional, and managerial, to speed up filing and file selection. Another possibility is to prepare several copies of the cards for applicants who have highly marketable skills so that more than one interviewer can use them at the same time. This would increase the exposure of applicants to job openings falling within their skills.[10]

The possible sources of job orders need to be studied carefully. Data are available on placements by industry and occupation, but none are available on placements by characteristics of firm, e.g., size, nationally or locally operated, type of industry. Such information would be helpful to state agencies and local offices in directing their placement efforts where they can do the most good.

Given the labor mobility—especially among professional, technical, and managerial personnel—the inter-area recruitment system needs strengthening. The current system appears to be too cumbersome. State employment services now deal directly with one another in inter-area recruitment matters. State inventories of job openings are exchanged among the states. It would seem that some experimentation in addition to Project LINCS West should be undertaken, for example: use of computers in preliminary matching of work applications and job orders in widely dispersed areas; possible use of closed circuit television; and establishment of a central clearance station for unfilled job orders and work applications involving professional, technical, and managerial occupations.

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[10] Committee on *Employment Service Programs and Operations Report of First Meeting,* held in Washington, D. C., March 6, 7, and 8, 1962 (Washington: Interstate Conference of Employment Security Agencies, 1962), p. 15.

USES should critically review the Employment Service Manual with the objective of streamlining it. It is now too explicit in detail and too bulky. Perhaps the USES could prepare a much shorter version for quick and ready use. The larger volume could then serve for more detailed reference.

We cannot list all the changes in methods, procedures, and techniques which might strengthen the Employment Service. The federal partner should continue to evaluate its operations and make additional needed changes. After new tools and techniques are developed, it must provide adequate technical assistance and training to state service staffs. New tools and techniques are worthless in the hands of state employment service personnel unschooled in their purpose and use. Thus training for employment service staff must be strengthened through the development of appropriate materials and in-service and out-service training programs.

Training staffs in the national office—both the functional staff (e.g., counseling, placement, youth, etc.) and those responsible for assisting state agencies in the management and personnel development activities — need to be enlarged in order to do more effective personnel training throughout the system. As a suggestion, the USES could appoint small advisory committees on various subject areas of training to study, review, and make recommendations for improving training efforts. These committees could be composed of federal and state training staff members and persons from industry and universities. In addition to their own training resources, the USES and state affiliates could supplement their in-service programs through the use of other educational resources such as universities and colleges. This is currently being done to a limited extent, but should be expanded.

Finances

An effective public employment service needs adequate financial support. The federal partner is responsible for determining the amount of money needed for proper and efficient administration of the system and for convincing the Congress to appropriate this amount. With adequate staff and facilities, placement services will increase. This was demonstrated in fiscal years 1961 and 1962 when Congress made available funds to increase employment service staff and improve large metropolitan offices. We cannot make any specific recommendations on how much money the Employment Service needs—we do emphasize that it needs more in order to help the nation develop and utilize more effectively its human resources. The current appropriation for both employment service and unemployment insurance operations is about $400 million. This covers all salaries and nonpersonal services for the entire federal-state employment security program.

There are several ways to provide more funds. One possibility is to broaden the tax base under the Federal Unemployment Tax Act from $3,000, the level existing in most states, to some higher level (e.g., $4,800 or $5,200) or to raise the tax rate, especially that portion going to the federal government for administrative purposes. A second possibility is to have employees contribute a small tax, for example, one half of one percent, on the first $2,000 earnings. With 40 million workers in covered employment under unemployment insurance programs and assuming that each covered worker would earn at least $2,000 a year, a total of $400 million would be collected. This about equals the current appropriation for the nation's employment security program. Such a tax could be justified on the grounds that an effective employment service is essential in our job economy. Every citizen has a vested interest in the proper development and utilization of the nation's human resources. A third possibility would be for each state to show a genuine interest in its state employment service by helping to finance its operation.

Adequate financing is a must. New and complex manpower problems are emerging; in turn, there is a demand for more extensive employment services. To meet effectively these demands, additional resources will be required. It is highly unlikely that all the demands for service can be met simultaneously. This means that realistic program goals, with assigned priorities, must be established each year. Administrators, both national and state, then have the responsibility to allocate their available resources to achieve these goals. What we are urging is that these administrators use their scarce resources to best advantage in meeting the demands for employment services as reflected in their annual program goals.

Allocating scarce resources in the Employment Service to achieve stated objectives is not easy. Labor market problems, community pressures, and staff pressures all affect the distribution of resources. The USES director urges state employment service directors to set certain program goals for the year. State administrators formulate such plans on the basis of the program goals which each local office in the state prepares. The goals established for the national office, state agencies, and local offices cannot be achieved if the necessary staff is not available or if there is a reduction in staff prior to the end of the fiscal year. The USES has been advancing the concept that the local office should be the manpower center for the community — that it should be concerned with all aspects of human resource development and utilization in the labor market. A manpower center, so defined, can only be realized by having an adequate, well-trained staff at all levels of operation — national, state, and local.

Evaluation

USES should allocate the funds to states within the framework of adequacy of all operations in terms of program quality and performance. To do this, it needs constructive evaluation techniques. Here again the federal partner is responsible for a thorough and careful evaluation of its own operations and those of the state affiliates. Without such a critical evaluation, it is impossible to assess accurately the effectiveness of existing methods, procedures, and techniques; or to determine the need for improved ones, the extent of technical assistance which the states may need, or whether allocations are being used properly in accordance with program objectives. Furthermore, without evaluation, state agencies cannot achieve standards of quality, efficiency, and accountability. Currently, the Employment Service bases its evaluation primarily on quantitative reports and gives little attention to the quality of services provided to applicants and workers. It would seem that under such evaluation the state affiliates must justify their existence on the basis of paper reports and their manipulation rather than on public service. The Employment Service should give high priority to developing meaningful evaluation techniques and applying them vigorously.[11] The Bureau of Employment Security, USES, and Interstate Conference of Employment Security Agencies should assign a task force to work on this project now.

We urge the USES to exercise leadership in allocating the administrative funds. If new offices have been opened without authorization, if the administrative staff in a state central office is too large in relation to the state's scale of operations, or if there are too many offices for the size of a state's labor force or for its geography, the USES should strongly urge corrective action. A portion of a state's funds could be withheld until necessary action is taken. If this appears too harsh, we may emphasize that the federal partner has to give account of the USES's operation to Congress and not to the states.

Personnel

The federal partner and the state employment service affiliates must discharge their responsibilities efficiently and effectively. Exhortations by the Secretary of Labor and officials of the BES and USES urging improvements usually accomplish nothing. Compiling detailed lists of suggestions also usually achieves nothing because the lists include those things which the "good operators" are already doing and which the "poor operators" ignore or just don't believe in. Programs can be blueprinted, and adequate funds can be made available. New organizational changes can be made, but in the final analysis the improvements will come only from the efforts of all staff members in the USES. Staff members do not work in a vacuum: they perform in a milieu conditioned by the attitudes, actions, or inactions of administrators, local office managers, and supervisors. The managers of the system at all levels must have an effective will to action if improvements are to be made. These people set the tone of operations. If they do not demonstrate interest in having a well-run employment service, it is highly unlikely employees will exert their best efforts. Furthermore, the manner in which they deal with their staffs is extremely important. If they treat employees as just "hired hands," they can expect and usually get low quality performance. On the other hand, if they view employees as co-workers whose efforts are essential to the success of the operation, employees usually respond by doing their best. This is not the place to review in detail the elements of sound personnel administration, but we urge all administrators and managers in the Employment Service to give more attention to improving their managerial skills.[12] The caliber of their supervision and the commitment of the staff to the basic objectives of the public employment service will determine, to a significant degree, the extent of improvements to be realized.

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[11] For current plans of USES for evaluation, see "Organization and Management," *Employment Security Review*, XXX, no. 6 (June 1963), especially pp. 52-53.

Local Office Operations

Most of the employment service personnel work in local offices. The image of the USES is created, for the most part, at the local level. Here is where job seekers and employers meet and are served, where tools and techniques are put into action, where research findings become alive, and where practical meaning is given to congressional intent. The USES makes its impression on the nation through the local offices. Thus the key to improving the public employment service lies, for the most part, in the caliber of local office operations. While the Employment Service must be national in scope, it must, at the same time, meet the particular needs of each community which it serves. These needs vary from one community to another, from one state to another, and from one region to another. In fashioning a favorable image, the local office manager and his staff must be sensitive and alert to the kinds of employment services which the community requires. They must provide these services through high quality performance. If the manager and his staff are competent, if they have vision and ingenuity, if they have proper technical support from the state and national offices, and if they truly seek to serve the community, they can measurably improve the Employment Service.

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[12] For a good discussion of policies and practices in the management of human resources, see Douglas McGregor, *The Human Side of Enterprise* (New York: McGraw-Hill, 1960); see also Mason Haire, ed., *Modern Organization Theory* (New York: John Wiley & Sons, Inc., 1959).

Because local office operations are the heart of the USES, primary emphasis in the development of tools, techniques, methods, procedures, labor market information, occupational research, and special demonstration projects should be on local office operations. Thus, all administrative and technical staff personnel in the national and state offices should be familiar with local office operations. This knowledge will be helpful to them in discharging their job responsibilities effectively and in focusing their work on developing a strong employment service. Scarce funds should be allocated by administrators—both federal and state—so that local office operations can be strengthened.

Community Support

In providing national, state, and local employment services to the community, the USES and its state affiliates come in contact with many groups interested in the proper development and utilization of human resources. By working with these groups effectively, USES can broaden its support and improve its acceptance. We have already referred to the importance of community support in the success of the Muncie Demonstration Project. We have selected another example, in this case a statewide group, to show why the Employment Service must establish effective working relationships with such a group.

This example involves the New Jersey Manufacturers Association (NJMA) and the New Jersey State Employment Service. In late 1961, they developed a cooperative placement program. Each time an NJMA member listed a job vacancy for a skilled worker with the Association, a representative of the NJMA talked with him and explained exactly what would happen in processing his job order. The listing was passed on to a special coordinator in the State Employment Service who processed it. In the first 6 months of operation (January-June 1962), 142 member companies listed 919 openings to which 416 referrals were made and in which 130 workers were placed. A representative of the NJMA had this to say about the program:

> Since almost every job listed was a shortage, the bare statistics are themselves impressive. We were well aware that the Employment Service was underutilized by our members. However, we hoped that their fears could be dispelled if closer cooperation between NJMA and the Employment Service could be established. That hope was realized . . . The success of the program proves that active cooperation between employers and the Employment Service can produce mutually satisfactory results.[13]

We urge the Employment Service to strengthen its contacts with community groups. Both the federal and state partners are responsible for developing these contacts. They must give more attention to acquainting state governors and legislators with their value and role. Congress did not become sufficiently concerned to provide needed additional staff until just recently. If the federal-state system is to serve the nation effectively, all interested community groups must become more cognizant of its activities. Once they understand its role, they will be more amenable to working with the Employment Service in seeking out solutions for manpower problems.

Research

A broad expansion of research is essential for improving the Employment Service. If the public employment system is to play an important role in manpower development and utilization, the federal partner must exert leadership in research. The basis for providing quality services depends, to a large degree, on a meaningful research program. Without continuing research:

> Nothing more than an out-dated and inadequate program can be expected . . . Only [carefully planned, continuing, additive] research can keep both policy and programs in tune with current developments. Research can provide a sound basis for modifications, important innovations, and continuing improvement. Research can make operations more efficient, with resulting savings for all citizens and taxpayers. Over a period of time, as in modern industrial firms, research can pay for itself many times over.[14]

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[13] Letter of June 29, 1962 from Donald J. Grabowski of the New Jersey Manufacturers Association to Daniel H. Kruger.

[14] Leonard P. Adams, et. al., *Report of Consultants on Future Policy and Program of the Federal-State Employment Service* (Washington: U. S. Department of Labor, Bureau of Employment Security, December 14, 1959), p. 11.

Many areas of intensive research must be undertaken if the Employment Service is to meet its future operating needs. Three levels of research are necessary: basic, development, and operations. Basic research involves studying labor market requirements 5, 10, or 15 years hence. It could furnish information on what occupations are growing, what manufacturing industries offer promise of expansion, what types of technicians will be needed, what professions will be expanding, and what industries and occupations will be affected by new developments such as automation and improved technology. These are a few of the manpower problems on which the USES should conduct basic research. This kind of research is essential for manpower planning[15] and can best be done by the federal partner.

Development research is the second level of research needed. It involves identifying current basic needs for information and tools. For example, much more emphasis must be given to studying occupational classification because it is an essential tool needed for resolving other manpower research problems. There is need for developing a system for grouping occupations according to common training needs. This will be helpful in connection with training and retraining programs in which the USES is involved. USES must keep abreast of the latest techniques used in placement services such as interviewing, counseling, testing, and job analysis. It needs information about the major elements in technological change because of their impact on the structure of work organizations. It needs to study training needs by industry and by process so that training programs under ARA, MDTA, and other legislation can be more effective in preparing workers for employment. If the USES is to serve well the employer manpower requirements, it needs to know more about the structure of an employer's organization, entry points, channels and procedures of promotion and transfer, training practices, and other factors related to manpower development and utilization within a firm. These are some aspects of development research. Because this research has wide application, the federal partner should have predominate responsibility for its conduct.

The third level is operations research. If the Employment Service is to serve actual needs of workers, employers, and communities, it must have information about community job structure and other facts needed for local office operations. It needs information on local channels of hiring, individual employer manpower requirements, characteristics of local labor supply, commuter patterns, and local and state labor markets. Operations research is best conducted by the state agency staff working closely with local office personnel. The operations research unit could be a strong technical backup service for the local office in applying the findings of basic and development research. It would be involved in designing, experimenting, and validating procedures and techniques to local office conditions. This is most important. If the local office is to be sensitive to community needs, it must have flexibility in adapting the USES Manual procedures to local problems. Manual procedures may not always be suitable for all local offices. Operations research would assist in developing operating plans for local offices.

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[15] For an excellent article on this subject, see John F. Hilliard, "Essentials of Manpower Planning in Economic Development," *International Development Review*, IV, no. 1 (March 1962), pp. 9-13.

The research programs need not be conducted solely by the Employment Service. We noted that certain levels of research can best be conducted by the federal or state partner. The cooperation of universities, colleges, and other research organizations could also be enlisted. Direct contracts and grants could be given to university faculty members and consultants for planning and conducting studies. These relationships "could furnish invaluable services . . . and raise the professional status of Employment Service Activities."[16] We urge the USES to expand its research activities as funds become available, to utilize its research resources more effectively, and to develop cooperative relationships with other research facilities.

Summary

The current interest in improving the effectiveness of the USES reflects, in a measure, the public's growing concern with manpower problems and their resolution. To meet these problems, patchwork legislation has been added to the existing public policies related to manpower. ARA, MDTA, the Trade Expansion Act of 1962, and the Public Works Acceleration Act are among the recent additions. The Youth Employment Act is currently before the Congress, and this too deals with certain aspects of the manpower problem. This *ad hoc* pattern of meeting problems has a long history in the United States. It seems that the formulation of manpower policies arises out of the exigencies of the nation's economic and political development. Sometimes these policies are late in coming; frequently they fall short of the need; at times they conflict with one another. In a democratic society, public policies are, in effect, compromises. It is necessary to reevaluate these policies in the light of changing times. Such a reevaluation is currently taking place by appropriate committees of the Congress and students of labor market organization.[17]

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[16] *Role of the Employment Service: A Staff Paper Prepared for Consideration by the Federal Advisory Council* (Washington: U. S. Department of Labor, Bureau of Employment Security, October 16, 1959), p. 10. This report also contains an excellent statement on research needed by the Employment Service.

Not only must we make a careful and critical reexamination of the nation's current manpower policies, we must seek out new solutions. The experience of other democratic countries, like Sweden and Great Britain, may be helpful in providing additional insights into the nation's manpower problems. Both of these countries have been successful in limiting persistent unemployment and in keeping average levels of unemployment remarkably low.[18] While their public manpower policies are not fully transferable to the American environment, they do warrant careful study.

This nation, which honors the pioneer spirit, must continually explore and experiment with new methods of solving manpower problems. The resolution of these problems is vital to the welfare of the nation and its citizens. By working vigorously toward their resolution, the nation would demonstrate the efficacy of a free labor market mechanism. Thus the role of the USES, as we see it, is to give strong leadership in resolving these problems and to contribute significantly and effectively to the proper development and optimum utilization of our human resources. In achieving this goal, the United States Employment Service would, indeed, become the nation's manpower agency.

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[17] For a discussion of current manpower problems and recommendations for public policies, see U.S. Congress, Senate, Subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare, *Nation's Manpower Revolution*, Parts 1, 2, 3, and 4, Hearings, 88th Cong., 1st sess.; and U.S. Congress, House, Select Subcommittee on Labor of the Committee on Education and Labor, *Manpower Development and Training Act*, Hearings, 88th Cong., 1st sess. (Washington: U.S. Government Printing Office, 1963). For a provocative discussion of a policy and program for the maximum development and employment of the nation's manpower, see E. Wight Bakke, *A Positive Labor Market Policy* (Columbus, O.: Charles E. Merrill Books, Inc., 1963).

[18] For a good discussion of the experiences of these countries, see William H. Miernyk, "Labor Market Lessons from Abroad," *Proceedings of the Fourth Annual Social Security Conference, held at The University of Michigan, January 23-24, 1962* (Kalamazoo, Michigan: The W. E. Upjohn Institute for Employment Research, July 1962), pp. 65-79; see also his paper entitled, "Foreign Experience with Structural Unemployment and Its Remedies," *Studies in Unemployment, Prepared for the Special Committee on Unemployment Problems* (Washington: Government Printing Office, 1960).